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ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

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I N D E X

Page No.

STEEVES, E.T.

DICKSON, C.F.

PARKS, A.C.

Direct examination

By Mr. Smith

14371

(See Volume 83A for Brief)

MARITIMES PROVINCES BOARD OF TRADE

14483

NO EXHIBITS IN THIS VOLUME



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3 ROYAL COMMISSION ON TRANSPORTATION
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7 Proceedings of hearings held
8 in the Court Room, Board of
9 Transport Commissioners
10 Offices, Ottawa, on the 12th
11 day of September, 1960.
12

13
14 COMMISSION

15 Mr. M. A. MacPherson, Q.C. Chairman
16 Mr. M. Anscomb Member
17 Mr. A. M. Balch Member
18 Mr. R. Gobeil Member
19 Mr. H. A. Mann Member
20 Mr. A. Platt Member
21

22 COMMISSION COUNSEL

23 Mr. A. G. Cocper, Q.C.

24 Mr. G. S. Cumming

25
26 Mr. H. W. Elliott Adviser

27 Mr. F. W. Anderson Secretary

28 Major N. Lafrance Assistant Secretary
29
30



Ottawa, Ontario,
Monday,
September 12, 1960

---On commencing at 10.00 a.m.

THE CHAIRMAN: Before calling on Mr. Smith, I think I should advise everyone that our colleague, Mr. Mann, is no longer the Executive Secretary of the Maritimes Transportation Committee; he is the Vice-Chairman of the National Harbours Board, and we congratulate him.

However, he is not to leave the Commission; he is staying with the Commission, for which we are pleased. In the meantime, we congratulate this young Canadian on his merited promotion.

MR. SINCLAIR: Well, Mr. Chairman, we are very happy to have knowledge that Mr. Mann is going into this new office, and it has some rather big problems. We know that he will deal with them and bring to them the same aggressiveness and close study that he has done in everything that he has been engaged in since he got out of the University of Toronto. We congratulate him, also.

MR. MACDOUGALL: On behalf of Canadian National, I would like to extend my congratulations to Mr. Mann. I have had the pleasure of knowing him for a good number of years and, being a Maritimer and knowing the work he has done with the Maritimes Transportation Commission, I am sure that all Maritimers look forward to the continuance of his



1
2 excellent work with the National Harbours Board.

3 THE CHAIRMAN: Even although he was born
4 in Toronto!

5 MR. FRAWLEY: Speaking for Alberta, Mr.
6 Chairman, I accordingly join in the congratulations
7 to Mr. Mann. I am genuinely sorry that when this
8 Commission finishes -- if it ever does -- that we
9 will not have Mr. Mann back directing the transportation
10 affairs of the Maritime provinces, because when he
11 was there it lead to many pleasant associations with
12 me in my humble efforts to look after similar matters
13 for the Province of Alberta.

14 Certainly, going to the National Harbours
15 Board - I don't know enough about the National Harbours
16 Board, because so far we haven't any harbours in
17 Alberta; we harbour a lot of very important people
18 there, and that is my only experience.

19 Anyway, in all seriousness, I am taken by
20 surprise, because I didn't know about these matters, and
21 I congratulate Mr. Mann, as I congratulate the
22 Governor General-in-council for appointing him.

23 MR. CARTER: On behalf of another province,
24 Mr. Chairman, may I add the congratulations of that
25 province to Mr. Mann.

26 MR. BRAZIER: Speaking on behalf of a
27 province that does have harbours, I know that the
28 people of British Columbia will welcome Mr. Mann's
29 appointment to this very important post, and we
30 will look forward to seeing him in our native province



1
2 from time to time. I am sure many people there will
3 have problems to put to him, and that he will give
4 every consideration to the Pacific coast as he would
5 to the Atlantic coast, and I certainly add my
6 congratulations to those already given to Mr. Mann.

7 MR. MAURO: On behalf of the Province of
8 Manitoba, Mr. Mann, we certainly want to extend to
9 you our congratulations and best wishes on this new
10 appointment. It certainly will be well received, I
11 am sure, by the Hudson Bay Route Association, and I
12 will expect to hear some big things from the Port of
13 Churchill, at least on November 2nd.

14 MR. HUME: On my own behalf, I would like to
15 congratulate Mr. Mann. I am not at all surprised to
16 hear the Chairman say that this morning because it
17 was published in Friday's Globe and Mail in Toronto.
18 I was very delighted to hear about it.

19 MR. Mann went from originally serving an
20 association to an area of Canada, and now he is serving
21 a broader area of Canada. I congratulate him most
22 sincerely.

23 MR. SMITH: Mr. Chairman, I join with my
24 confreres in the hearty felicitations that have been
25 extended to my old associate, Mr. Mann. We have been
26 associated for a number of years, and our relationship
27 has been most happy. I know that in following the
28 footsteps of another Maritimer, Bob Rankin, he will
29 be most acceptable.

30 COMMISSIONER ANSCOMB: I would like to say --



1
2 I don't like to disagree with everybody else, but
3 seemingly I do that most of the time -- but, if my
4 friend is as tight with the Harbours Board as he has
5 been with this Commission in most things, I say
6 thank God Victoria's Harbour is not in the National
7 Harbours Board!

8 COMMISSIONER MANN: There is very little
9 that can be said after that last sally, but I do want
10 to thank you, sir, and everyone here for the very
11 kind remarks. I am approaching leaving the Maritimes
12 with a certain amount of sadness, but I do know that
13 I will still keep some very close associations with
14 the eastern part of Canada, because by number of
15 harbours twenty-five per cent of them are in the
16 Atlantic provinces.

17 Thank you again, sir.

18 COMMISSIONER BALCH: I would like to say
19 just a word about a remark that was passed last
20 Saturday in caucus. Mr. Mann told us that he was
21 vice-chairman, so I asked him if that included labour
22 relations, and our chief counsel there said, "Yes,
23 that's the vice part of it."

24 THE CHAIRMAN: Mr. Smith?

25 MR. SMITH: Mr. Chairman and commissioners,
26 I appear for the Maritimes Transportation Commission,
27 as you may know.

28 The submission, which consists of two
29 volumes, will be spoken to and presented by three
30 witnesses: Mr. Earl T. Steeves, Mr. Craig F. Dickson,



1
2 and Mr. Arthur C. Parks.

3 I would ask that these gentlemen take the
4 witness stand, if I may, so that I may refer to the
5 positions which they will occupy during this hearing.
6 I will now refer to the qualifications of Messrs.
7 Steeves, Dickson and Parks..

8 EARL T. STEEVES, called.

9 MR. SMITH Q: Mr. Steeves, your educational
10 background is -- I don't wish to embarrass you, but
11 I will put the questions to you in very short and
12 summary form. From 1947 to 1951, you attended St.
13 Francis Xavier University in Antigonish?

14 A. That's right, sir.

15 Q. And you graduated as B.A. Magna cum laude
16 from that university?

17 A. That's right.

18 Q. From 1951 - 1952 you had a scholarship
19 at Clark University, Worcester, Mass.?

20 A. Yes, that's right.

21 Q. From which you graduated with the degree
22 of Master of Arts and Economics?

23 A. Right, sir.

24 Q. In so far as your training and experience
25 is concerned, I understand that you wrote a thesis
26 for your M.A. on the Maritime Transportation problems,
27 which I consider a very large and extremely interesting
28 topic.

29 Now, from 1952 to 1956 you were Research
30 Assistant to the Railway Association of Canada?



1
2 A. That's right.

3 Q. And from 1956 to 1959 you were Assistant
4 Transport Economist in the Railway Association of
5 Canada?

6 A. Yes.

7 Q. And the transportation report of Mr.
8 J.C. Lessard, Royal Commission on Economic Prospects --
9 you were on the staff in which that work was
10 established?

11 A. Yes.

12 Q. Your present employment is not concerned
13 with transportation?

14 A. That is correct, sir.

15 Q. You were born in New Brunswick?

16 A. In Moncton, sir.

17 Q. Moncton, New Brunswick?

18 A. Yes.

19 CRAIG F. DICKSON, called.

20 MR. SMITH: The next gentleman I present
21 is Mr. Craig F. Dickson. He is the secretary-treasurer
22 of the Maritimes Transportation Commission. He was
23 born in Springhill, Nova Scotia -- perhaps some of
24 you have heard that -- and he graduated from Springhill
25 High School and St. Charles Commercial School at
26 Amherst, Nova Scotia.

27 MR. DICKSON: That's right, sir.

28 MR. SMITH Q: You were a clerk in
29 the Customs and Traffic Department of the T. Eaton
30 Company in Moncton for three and a half years?



1
2 A. Yes, sir.

3 Q. And you have been employed for the last
4 seven and one half years with the Maritime Transportation
5 Commission, presently holding the position of secretary-
6 treasurer?

7 A. That's right, sir.

8 ARTHUR C. PARKS, called:

9 MR. SMITH: Now, the next gentleman I
10 present is Mr. Arthur C. Parks of Fredericton.

11 MR. SMITH: Q: Mr. Parks, you are a B.A.
12 Honours in Economics, and M.A. honours in Economics
13 from the University of New Brunswick?

14 A. That's right, sir.

15 Q. And presently you are director of
16 research for the Atlantic Provinces Economic
17 Council and secretary-treasurer of the Atlantic Provinces
18 Research Board and lecturer in economics at the
University of New Brunswick?

19 A. That's right, sir.

20 THE CHAIRMAN: You have two volumes here?

21 MR. SMITH: There are two volumes. The first
22 volume consists of the submission, and it is
23 reinforced by volume 2 containing a number of
24 appendices, and I supplied copies of these submissions
25 to the Secretary of the Commission, and also to
26 railway counsel, and counsel for the provinces and
27 Mr. Hume and other gentlemen.

28 THE CHAIRMAN: Do you wish the first
29 statement in the record
30



1
2 MR. SMITH: May I speak to that for just a
3 moment, Mr. Chairman?

4 I am fully cognizant of the desire of your
5 Commission that everything reasonably possible be
6 done to the end that these hearings be not unduly
7 protracted. I think that is perhaps a bit of an
8 understatement ---

9 THE CHAIRMAN: An understatement.

10 MR. SMITH: And, therefore, I am respectfully
11 suggesting that the submissions consisting of these
12 two volumes be taken as read ~~then~~ read into the record;
13 and that, in order to make the submissions more easily unde
14 stood and appreciated, and in certain instances the
15 witnesses, one or more of them, will read certain
16 passages from the submission; and in other cases
17 they will comment upon and supplement the statements
18 found in the submission.

19 I accordingly will ask Mr. Steeves if he
20 would read the introduction found in Volume 1 of the
21 submission.

22 THE CHAIRMAN: We appreciate your consideration,
23 and you may handle this in your own way.

24 MR. SMITH: Thank you, Mr. Chairman.

25 Will you read the introduction, Mr. Steeves?

26
27 --- See volume 33-A.
28
29
30



DIRECT EXAMINATION BY MR. SMITH:

Q. Now, Mr. Chairman, you are aware, it is not always possible to prepare statements of this nature without some errors and omissions. Happily our errors and omissions are not of a very serious nature. I have had an errata prepared which I shall now hand to the reporter and there are also additional copies for anyone who would like one now.

---(See Volume 83A)

MR. SMITH: Q. There are no questions which I shall ask any of the witnesses until I come to paragraph 13 where an unfortunate error has crept in and that is the statement that the Intercolonial Railway was completed at an approximate cost of \$1 million.

THE CHAIRMAN: What would it cost today?

MR. SMITH: Mr. Steeves, could you answer that?

A. The approximate cost is \$34 million.

Q. I do not know what it would cost today.

A. The original approximate cost was \$34 million.

Q. And that was in 1876?

A. Yes.

Q. I now direct your attention to paragraph 19 of the submission and perhaps it would be as well if you read that passage.

A. While a detailed analysis of the early rate structure of the Intercolonial Railway might be



1
2 desirable, it is doubtful whether this would serve to
3 clarify significantly the main policy considerations in
4 regard to the rates on the line. It is sufficient to note
5 that the actual rates on the Intercolonial were based
6 on the rates on other railways in Canada, but that they
7 were generally lower as a direct result of government
8 policy in regard to the operation of the line. Thus
9 there were four merchandise classes, and special
10 rates on grain and flour, vegetables, lumber and
11 livestock. These rates were lower, mile for mile,
12 than those in Ontario-Quebec. In 1889 the "ten
13 class" type of tariff was adopted using the Canadian Joint
14 Classification, but the Intercolonial rates were still
15 on a lower basis than those in Ontario-Quebec. Appendix
16 II, taken from the RAC Henry Study prepared for the
17 Royal Commission on Dominion-Provincial Relations,
18 1939, shows this relationship graphically.

19 Q. Will you please refer to that Appendix 2
20 and state where it appears in Appendix 2?

21 A. I should like to make comment on some of
22 these graphs to indicate what relationship they do show.
23 Page 1 the relationship for first class standard mileage
24 rates is shown for a distance of 400 miles. You will
25 note the dotted line appearing at the bottom which
26 indicates the maritime scale relative to the Quebec-
27 Ontario scale. From the dates appearing on the bottom
28 of the graph we go from 1889 to 1912 approximately.
29 Standard mileage rates for 400 miles first class in
30 the maritimes were approximately 38 per cent below the



1
2 Ontario-Quebec scale. Between 1912 and 1922 roughly
3 this level of rates in the maritimes became equalized
4 with the Ontario-Quebec scale.

5 On page 2 of Appendix 2 the study is shown
6 for 5th class rate for 400 miles as between the maritimes
7 and Quebec-Ontario. Between 1888 and 1889 you will
8 note that they were roughly the same, about 40 per cent
9 below the Quebec-Ontario scale. They then dropped
10 in around 1900 to approximately 1912 to 38 per cent
11 below the Ontario-Quebec scale after which time they were
12 pretty well increased up to 1922 when they were equal to
13 the Quebec-Ontario scale.

14 Page 3 of Appendix 2 the same situation is
15 shown, the 5th class standard mileage rate for 700 miles.
16 In 1890 the rates in the maritimes were approximately
17 60 per cent below the Ontario-Quebec scale. The
18 situation is then traced through up to 1922 when they
19 became equalized with the Quebec-Ontario scale. It is
20 similar for pages 4 and 5. I might mention that we
21 have only used a few of the graphs in the report to show
22 this relationship of general increase of the maritime
23 scale from 1912 up to 1922 in relation to the Ontario-
24 Quebec scale.

25 Q. Now, Mr. Steeves, I refer you to paragraph
26 28 at the bottom of page 11 where you are dealing with the
27 question of sections 6 and 7 of the Maritime Freight
28 Rates Act. Perhaps for the benefit of the Commission
29 you might read that paragraph.

30 A. Other important provisions of the Act are



1
2 those contained in Sections 6 and 7. The former
3 stipulates that the reduced rates are to be considered
4 statutory rates and as such "not based on any principle
5 of fair return to the railway for service rendered in
6 the carriage of traffic". Section 7 states that
7 the purpose of the Act is to give "certain statutory
8 advantages" in rates to persons and industries in
9 "select territory". This section further directs
10 that the Board shall neither approve nor allow any rates
11 which might destroy or prejudicially affect such ad-
12 vantages in favour of persons or industries outside
13 "select territory".

14 Q. Now perhaps this is an obvious question
15 but I will ask you anyway. There is a reference there
16 statutory rates, have these statutory rates borne the
17 impact of the increases that have taken place since 1947-
18 48?

19 A. These rates have been increased along
20 with general increases in rates since that time.

21 Q. I will now refer you to pages 17 and 18
22 and particularly to paragraph 57. Perhaps it would
23 be as well for you to read that and then continue on
24 with paragraphs 58 and 59.

25 A. From these findings of the Commission it
26 is difficult to avoid the conclusion that the Commission
27 either failed to appreciate the real purpose of the Act
28 or, alternatively, that it overlooked completely the
29 findings on which the recommendations of the Duncan
30 Commission were based which directly resulted in the



1
2 passage of the Act in 1927. Thus the Commission
3 states, and correctly, that the object of the 20%
4 reduction "was to restore the advantages of the
5 rates. . . which the maritimes had enjoyed prior to
6 1912" but goes no further in rejecting the request.
7 Similarly, it considers a departure from the 20% reduc-
8 tion "unwise", basing its opinion on the calculation used
9 by the Duncan Commission in arriving at such a figure,
10 which, again, is only incidental to why the Duncan Com-
11 mission proposed a reduction at all.

12 And finally, the last statement of the Commission
13 regarding the design of the Act appears to support the
14 contention that the Commissioners failed to appreciate
15 the real purpose of the Act. The "peculiar set of
16 circumstances" referred to was obviously the "levelling-
17 up" of Intercolonial rates after 1912, since the main
18 feature of the Act is the reduction in rates which it
19 presecibes. Thus it would appear that the Commission,
20 instating that the Act "has performed and continues to
21 perform the functions for which it was designed", was
22 referring specifically to the percentage reduction as
23 such rather than the reason why a reduction was considered
24 necessary in the first place.

25 The foregoing is not intended in any way to
26 reflect upon the judgment of the Targeon Commission in
27 refusing to recommend any of the suggested changes in the
28 Act, but merely to point out that its reasons for doing
29 so would appear to be based on the fact that it inter-
30 preted the purpose of the Act to be the actual percentage



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Steeves, dir
(Smith)

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1
2 reduction resulting from the theory employed by the
3 Duncan Commission rather than the reason why the Duncan
4 Commission proposed a reduction at all, i.e., the real
5 purpose of the Act which was to restore the purpose of
6 the Intercolonial Railway.

7 Q. Now, have you some comments to make on
8 these passages which you have just read?



1
2 MR. STEEVES: There is a possibility that
3 this material should be broadened a bit, and to that
4 extent I have prepared a memorandum relating to
5 paragraphs 57 to 59 inclusive, and I should like to
6 read this into the record.

7 THE CHAIRMAN: Granted.

8 MR. STEEVES: The statement on page 230
9 of the Turgeon Report summarizes Commission's views:

10 "It is perhaps important in considering
11 the matter to bear in mind that the 20
12 per cent reduction was based on a
13 calculation made by the Royal Commission
14 under the Chairmanship of Sir Andrew Rae
15 Duncan, which found that from 1876 to 1912
16 rates over the Intercolonial Railway had
17 been kept at a low level to carry out the
18 policy of successive federal governments
19 and the pledges that had been made prior
20 to Confederation. The Duncan Commission
21 found that the rates had been increased
22 after 1912 on the Intercolonial Railway
23 so that 'their 100 had become 192' and
24 that the estimated average increase of
25 rates in the rest of Canada was 55 per cent,
26 so that 'their 100 had become 155'. The
27 20 per cent reduction on the Intercolonial
28 rates was intended to make the 192 become
29 approximately 155 and thus restore the
30 position previously enjoyed."



1
2 As noted, the Commission refused to go
3 along with an increase in the percentage reduction,
4 holding: (P. 234).

5 "A change in the 20 per cent reduction
6 would be an unwise departure from the
7 theory employed by the Duncan Commission
8 in arriving at the remedy which it
9 proposed."

10 The Commission considered the proposal as
11 overlooking the basic purpose and intent of the Act.
12 (p. 234).

13 The questions to be asked, therefore, are:
14 (1) what was the 'theory' employed by the Duncan
15 Commission 'in arriving at the remedy which it
16 proposed' and, (2) what is the 'basic purpose and
17 intent of the Act?'

18 In the above paragraph, reference is made
19 to the reduction being based on a calculation made
20 by the Duncan Commission; this can only refer to the
21 technique used by the Duncan Commission to ascertain
22 the increase in rates on the Intercolonial compared
23 to rates 'in the rest of Canada.' The theory,
24 in short, was to compare the increase in rates
25 on the Intercolonial with the rates elsewhere in
26 Canada, find out how much greater the increase was,
27 and recommend a corresponding reduction. The increase
28 was found to be such that a reduction of 20 per
29 cent was necessary 'to restore the position previously
30 enjoyed'.



(Smith)

1
2 Regarding the second question, the basic
3 purpose and intent of the Act, the purpose of the
4 Act is spelled out in Section 7:

5 "The purpose of this Act is to
6 give certain statutory advantages in
7 rates to persons and industries in the
8 three provinces of New Brunswick, Nova
9 Scotia and Prince Edward Island, and in
10 addition upon the lines in the province
11 of Quebec hereinafter called 'select
12 territory'".

13 The conclusion which follows from this
14 logically defines the "intent" of the Act. To the
15 extent that the reduction was intended to "restore
16 the former position" regarding rates on the Inter-
17 colonial prior to 1912 as compared to rates elsewhere
18 in Canda, the intent of the Act, therefore, was to
19 give statutory recognition to the policy and pledges
20 regarding pre-Confederation promises inherent in the
21 rate structure prior to 1912. This was the 'quid pro
22 quo' without which there would have been no
23 recommendation for a remedy in the first place.
24 The intent of the Act therefore, is explicitly clear:
25 it was to further the purpose for which a low level
26 of rates had been established in the first place, i.e.,
27 to enable Maritime merchants, traders, and
28 manufacturers to get into the central markets.

29 To sum up the pertinent question in this
30 regard does not concern the 'theory' employed by



1 the Duncan Commission in arriving at the remedy
2 it proposes, but "why" it considered a remedy
3 necessary at all! In short, not "how" it arrived
4 at the figure used in calculating the amount of the
5 percentage reduction, but why it recommended a
6 reduction regardless of the amount.
7

8 It is submitted that the case brought before
9 the Turgeon Commission in 1949 regarding an increase
10 in the percentage reduction, far from overlooking
11 the basic purpose and intent of the Act, was
12 predicated on it.

13 MR. SMITH: The next paragraph to which
14 I will refer is paragraph 64 and following paragraphs
15 on pages 19 and 20 of volume one of the submission,
16 and in this case I propose to put certain questions
17 to Mr. Dickson.

18 Paragraph 64 refers to the observations
19 of the then Minister of Finance, Mr. Harris, in the
20 budget address on March 14th, 1957, relating to
21 the change in the Maritime Freight Rates Act.

22 Now, would you refer to that passage, Mr.,
23 Dickson, and to the following passages, and I may
24 ask, with particular reference to the second last
25 paragraph, if the hopes of the Minister were fulfilled.
26 I will read that second last paragraph:

27 "A study of the average increase in
28 freight rates since 1947 on this traffic,
29 as compared with the increase in the
30 rest of Canada, shows that an increase



1
2 in the subvention paid under the Maritime
3 Freight Rates Act is justified. That is,
4 an increase in the subvention from its
5 present 20 per cent level to a level of
6 30 per cent in the case of outbound
7 traffic will restore these rates to the
8 position they occupied in relation to
9 other Canadian rates at the end of World
10 War II."

11 Now, what do you have to say as to the
12 expectations of the Honourable Minister of Finance
13 in that passage and its fulfillment in the years
14 which followed?

15 MR. DICKSON: In our submission, sir,
16 in that paragraph 66 we state that it does not
17 appear to have accomplished this purpose, because it
18 had the effect only of offsetting by and large the
19 general increase in freight rates of 11 per cent
20 granted earlier in the year, and that is shown in
21 Appendix V of our submission.

22 Perhaps I should turn to that and show
23 you some examples.

24 Appendix V, page 2, is a rate history of
25 steel bar rates from Amherst and Montreal to
26 Quebec. The rate on October 11th, 1954 under
27 column A was \$11.20 per net ton; on July 9th, 1957,
28 after the additional Maritime Freight Rates Act
29 reduction, that rate again was \$11.20. So the
30 reduction only originally wiped out the increase



1 authorized in January, 1957. Under column B the
2 same situation is shown: the rate was \$9.60 per net
3 ton on October 11th, 1954, and on July 9th, 1957, it
4 was again \$9.60.

5
6 If you return to page 4 of Appendix V, a
7 somewhat similar situation is portrayed there. On
8 January 17th, 1955 --

9 MR. SMITH: And that deals with electric
10 stoves.

11 MR. DICKSON: Yes. From Sackville to
12 Montreal it was 61 cents, and after the additional
13 Maritime Freight Rates Act reduction on July 1st,
14 1957, the rate was 62 cents. In that particular case
15 the additional reduction did not quite wipe out the
16 increase; it failed by one cent.

17 Page 5 is another example. There we show
18 rates on wallplaster from Hillsboro, New Brunswick, and
19 from Montreal to Toronto. The rate on March 16th,
20 1953, was 59 cents from Hillsboro; on July 1st, 1957,
21 after the additional Maritime Freight Rates Act
22 reduction, the rate from Hillsboro was 62 cents, and
23 in this case the additional reduction failed by three
24 cents to restore the rate to what it was before
25 the granting of the 11 per cent increase. Other
26 information is contained in A, D, E, F, G.

27 THE CHAIRMAN: Well, your contention is that
28 the principle in the Duncan report was fair but has
29 not been continued.

30 MR. SMITH: That is one observation, Mr.



1
2 Chairman.

3 Now, I refer to paragraph 69 on page 20,
4 and perhaps Mr. Steeves would read that passage and
5 then I will direct some questions to him.

6 MR. STEEVES: Paragraph 69:

7 The most significant new carrier, both
8 in terms of its rapid growth in such a
9 short period of time, as well as its effects
10 on the railways, has been the motor truck.
11 Today intercity trucking ranks as a major
12 competitor of the railways, accounting in
13 1957 for 45.7 per cent of the total freight
14 market in Canada, as measured in tons,
15 compared to an estimated 38.7 per cent in
16 1942. During the same period railway
17 tons declined from 46.2 per cent of the
18 total intercity traffic in 1942 to 30.7 per
19 cent."

20 MR. SMITH Q: Have you some further information
21 on that passage?

22 A. Perhaps a more reliable indicator of
23 the extent of the growth of trucking as a competitor
24 to the railways would be if measured in ton miles.
25 Accordingly, I shall give you the comparable statistics
26 in ton miles in percentages. In 1942 the railways
27 had 74.3 per cent of total intercity ton miles, while
28 trucks had 2.5 per cent. In 1957 rails had dropped
29 their portion to 54.2 per cent, while the trucks had
30 increased theirs to 6.4 per cent. These are figures



1
2 taken from a study prepared by Wagdin in a paper
3 presented at the annual conference of the Canadian
4 Good Roads Association in 1957 called "Statistics and
5 the Study of Road Transport".

6 THE CHAIRMAN: Who is Wagdin?

7 MR. STEEVES: Mr. Wagdin is director of
8 public finance in the Transportation Division of the
9 Dominion Bureau of Statistics.

10 MR. SMITH: I now refer to paragraph 84, which
11 I will ask Mr. Dickson to read and then to comment
12 upon.

13 Will you please read it, Mr. Dickson?

14 MR. DICKSON:

15 "So far as the Maritime Freight Rates
16 Act is concerned, Appendix V strikingly
17 points out the very serious erosion which
18 has occurred in the advantages formerly
19 enjoyed by Atlantic producers and
20 manufacturers in the central markets,
21 advantages which, at best, have been
22 substantially reduced, or at worst, lost
23 completely or even become disadvantages.
24 It is thus clear that not only has it been
25 possible for Central Canadian traffic to
26 escape from the full impact of post-war
27 increases, but an important segment of this
28 traffic has experienced no increase at all.
29 To paraphrase the views of this Commission
30 before the Royal Commission on Canada's



1
2 Economic Prospects, it is difficult to
3 avoid the conclusion that the advantages
4 which the Atlantic provinces were meant
5 to have under the Maritime Freight Rates
6 Act have been vitiated to an outstanding
7 extent."

8 Q. Now, Mr. Dickson, will you give examples
9 and details in support of the statements contained in
10 paragraph 84?

11 A. Yes, Mr. Smith. We made a short study
12 of the rates in Canadian National Railway Tariff
13 C.M. 195 and in particular item 323. That item
14 provides rates on various commodities between Montreal
15 and Toronto issued to meet motor truck competition.
16 The minimum weights are graduated from 20,000 lbs. per
17 car to 60,000 lbs., and the rates vary inversely
18 with the minimum weights, and among the commodities
19 in that item the following might be mentioned as ones
20 on which the rates today are the same or lower than
21 they were in 1934, and I will just mention a few
22 examples, perhaps. Cotton piece goods, cotton twine;
23 other dry goods; electric appliances, including
24 washing machines, ranges, refrigerators, water heaters;
25 groceries (and there is a long list of them), window
26 glass, a vast number of hardware items, sheet metal
27 ware, aluminum ingots, oilcloth, alcoholic liquors,
28 paints and varnishes, rubber goods, and so on.

29 We thought those examples are indicative
30 of those that have been able to escape the full impact



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of post-war rate increases.

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2 Perhaps I should mention there are examples in
3 Appendix V: the rates on canned apple products, which
4 are contained on pages 8 to 11 of Appendix V, show
5 that the rate from Thornbury, Ontario, to Ottawa is
6 47 cents in 1930 and today is 42½ cents. Canned
7 meat products on pages 12 and 14 show a similar
8 situation: 49 cents in 1930 and 42½ cents today.

9 Q. Thank you, Mr. Dickson.

10 THE CHAIRMAN: The minuses are in the majority
11 there?

12 MR. DICKSON: I believe so, yes -- very much so.

13 MR. SMITH: Q. Mr. Dickson, there are
14 various paragraphs dealing with the consideration of
15 agreed charges and the effect of these agreed charges,
16 and I refer you to paragraph 89, which perhaps you
17 might read?

18 MR. DICKSON: The mere showing of the growth
19 of Agreed Charges in terms of numbers, tonnages or
20 revenue, does not, however, indicate important quali-
21 tative differences which may exist in these agreements.
22 To the extent that such qualitative differences are
23 present, they portray variations in the intensity
24 of competition.

25 Q. Would you please refer to the passages
26 contained in paragraph 89 to 101 which deal with this
27 topic, and tell in your own words what your views are
28 in this regard?

29 MR. DICKSON: We submit that agreed charges
30 in the final analysis reflect the relative strengths



1
2 of the contractual parties. It is obvious that the
3 shipper of a volume of traffic of interest to the
4 railways will obtain a better agreed charge if he
5 can show that alternate means of transport readily
6 offer low rates and good service. Marginal competi-
7 tion, on the other hand, while it may still bring about
8 an agreed charge, tends to weaken the shipper's ability
9 to obtain the most favourable rates.

10 Among the indicators of the quality or
11 strength of an agreed charge are the level of the rates,
12 the percentage which the shipper pledges to move under
13 the agreement, the carload minimum weight and the
14 degree of subjection of the rates to general rate
15 increases which may be authorized by the Board.

16 In our opinion it is the last of these which
17 offers a particularly convenient way of gauging the
18 strength of an agreed charge today.

19 I think it is only natural that the railways
20 endeavour to increase as many rates as possible any time
21 the Board authorizes a general advance in rates. An
22 agreed charge, contractual rates, cannot be raised
23 unless the contract so provides. None of the early
24 agreed charges contained a provision which would have
25 allowed the railways to subject them to general rate
26 increases.

27 Effective with agreed charge No. 107 on
28 October 13, 1955, the railways made efforts to include
29 what has been called an escalator clause which would
30 subject the agreement to a general rate increase.



I might read the original escalator clause:

"If any general increase in freight rates be ordered by the Board of Transport Commissioners for Canada, the agreed charge set out in paragraph D of this agreement shall be increased in the same proportion and on the same effective date as the said general increase."

This type of escalator clause did not appear to be too successful and relatively few agreed charges contained it, and it has now been virtually replaced by what has been called a deferred escalator clause which first appeared in agreed charge No. 477 effective September 17, 1958, and I might read that deferred escalator clause:

"If any general increase in freight rates be ordered by the Board of Transport Commissioners for Canada, the agreed charges set out in paragraph D of this agreement shall be increased in the same proportion . . ."

and the following is the new part:

". . . except that no increase shall be made until the agreement has been in effect for a period of one year."

The deferred escalator clause has been accepted more readily by shippers than the original clause and I think the vast majority of them written now contain it. We conclude if an agreed charge



1
2 is made today which is not subject to the deferred
3 escalator clause, it may be called an exception to
4 the rule.

5 It is our opinion that the railways only
6 make such an exception for compelling reasons and that
7 the existence of this exception is ready evidence that
8 the shipper's strength during the negotiation was
9 strong, because of the force of competition. Con-
10 versely, the inclusion of an escalator clause would
11 indicate that a shipper's position was not as strong
12 because of lesser strength of competitive forces.
13 It is that indicator we have taken to measure per-
14 haps the qualitative strength of agreed charges today.

15 The result of our investigation is set out
16 and the summary is shown in tabulation form in paragraph
17 100.

18 Between agreed charges 477 and 1021 a total
19 of 545 agreed charges were listed, 101 applying to,
20 from and within the Atlantic provinces, and 15.8
21 per cent of those had no escalator. 444 of the
22 545 agreed charges apply solely to other parts of
23 Canada, and 25 per cent of those had no escalator.

24 So, in the face of those figures the con-
25 clusion is inescapable that Atlantic provinces traffic,
26 while it may show an increase in the number of agreed
27 charges which apply to it, it has considerably less
28 competitive strength than traffic in other parts of
29 Canada. A mere showing of the rising number of
30 agreed charges or of the increase in the tonnages



1
2 moving under them does not yield sufficient proof
3 of the pervasiveness of competition in the case of
4 Atlantic provinces traffic. It is apparent from the
5 table in paragraph 100 that even in the case of agreed
6 charges Atlantic provinces traffic escapes the impact
7 of general rate increases to a considerably lesser
8 degree than other Canadian traffic.

9 Q. Mr. Dickson, what do you say with regard
10 to competitive rates? Does much of the same situation
11 obtain?

12 MR. DICKSON: We have tried to make a similar
13 analysis of competitive rates, and the technique we
14 have used is outlined in paragraphs 102 onwards.

15 We all know railway traffic is subject to
16 attrition. That word has become quite common amongst
17 us in transportation now. The Canadian National and
18 Canadian Pacific stated that competitive traffic would
19 be subject to an attrition factor of 50 per cent
20 during the application for a 19 per cent increase in
21 October 1953, and we felt we should check to see
22 whether competitive rates on traffic of interest to
23 the Atlantic provinces were able to escape the im-
24 position of general rate increases as effectively as
25 competitive rates elsewhere in Canada. We undertook
26 a study of the rates immediately following the 17%
27 general rate increase which became effective on
28 December 1, 1953.

29 We felt such a study would show to what
30 extent, if any, there were qualitative differences



1
2 between competitive rates in Canada, and it would best
3 indicate the strength of competition to the railways
4 in the various regions of Canada.

5 We realize from the beginning that no such
6 study could with the data available to us yield pre-
7 cisely measurable results, but it was felt these
8 results would give at least a rough measure of the
9 differences in the strength of competition.

10 Q. What technique did you employ for the
11 purpose of that study?

12 MR. DICKSON: We analysed the competitive
13 rate adjustments in the three Canadian National Railways
14 tariffs which contained competitive rates on various
15 commodities. I should say there "various commo-
16 dities" used in that sense is a tariff which contains
17 rates on a large number of commodities. There are
18 tariffs issued to meet motor truck or water competi-
19 tion which contain competitive rates on only one
20 commodity, such as lumber, for example; but we used
21 the tariffs which contained rates on various commo-
22 dities.

23 The tariffs that were used were Canadian
24 National W.950 which applies between stations in the
25 western region; Canadian National C.M.195 which applie
26 between stations in the eastern region and from such
27 stations to stations in the maritime region; Canadian
28 National C.M.300-15 which applies between stations
29 in the maritime region and from such stations to
30 stations in the eastern region. Western, eastern



and maritime regions used in this sense is the same as that used in the Waybill Study and as defined in the Waybill Study.

We kept a careful check of every adjustment in the competitive rates contained in the above tariffs which was made during the twelve months following the imposition of the 17% general rate increase, and I should say that we did not analyse the Canadian Pacific tariffs because of the work involved, but we feel confident that if we had they would have shown roughly the same results.

The results of our study are shown in Appendices 6, 7 and 8. Appendix 6 sets out those competitive rates which on November 30th, 1959, were less than 17 per cent higher than the rates in effect on November 30th, 1958.

---Short recess.



1
2 THE CHAIRMAN: Order, please.

3 MR. MAURO: Mr. Chairman, I just wanted to
4 apologize to the Commission and my learned friend
5 on the matter of Manitoba's substantive brief covering
6 various items under discussion by this Commission.
7 The brief is in the printer's and I anticipate having
8 copies for distribution on Wednesday of this week and
9 will make them available immediately.

10 THE CHAIRMAN: Thank you. Is every other
11 brief in?

12 MR. SINCLAIR: Our brief was not due until
13 the fifteenth, and it will be in on time, sir, pursuant
14 to the direction of the Commission.

15 MR. McDONALD: The same applies to the
16 Canadian National, Mr. Chairman.

17 THE CHAIRMAN: What about Alberta?

18 MR. FRAWLEY: No, Alberta certainly has not
19 all its briefs in. There is no question about that,
20 sir.

21 If I am to be found guilty, I am to be found
22 guilty. I live in Ottawa; I have consultants in
23 far places. I have travelled to meet them; I have
24 travelled in different directions to meet them. My
25 briefs are, of course, in preparation. I am not
26 defying the Commission at all. I have used every
27 effort, physical and mental, to prosecute the
28 preparation of Alberta's briefs.

29 There will be six; about two or five or four
30 still to be put in. They will be put in just as soon



1
2 as they can be completed, revised and reproduced --
3 there is no question of any delay, intentional delay,
4 at all. I am just bending my best efforts, and I can
5 do no more. I say that with every respect to the
6 Commission. I am certainly endeavoring to put forward
7 these briefs and file them and distribute them to my
8 friends as soon as possible.

9 MR. MAURO: I want to make it clear that in
10 addition to the brief I will distribute on Wednesday,
11 there is another brief that is a joint submission by
12 Alberta and Manitoba. That brief is largely completed,
13 and as soon as my learned friend and I can approve the
14 final drafting of it it will be printed and distributed.
15 But those are the only two items that Manitoba will
16 have.

17 MR. FRAWLEY: I want to make it clear, Mr.
18 Chairman, when I was discussing a moment ago the briefs
19 still to be prepared, those do not refer to the grain
20 traffic at all.

21 MR. CARTER: I am happy to say that
22 Saskatchewan's briefs were filed, I believe, by the
23 deadline, Saturday.

24 THE CHAIRMAN: Yes, they were.

25 MR. SINCLAIR: The Commission, of course,
26 realized that when this matter was brought up. I
27 recognize some of the problems of Mr. Frawley, and
28 when people have problems we have tried to meet them,
29 but it was our hope, sir, that anything we had to
30 say in principle, anyhow, in answer to some of the



1
2 material, might be all incorporated in the one brief.

3 That has not been possible except in so far
4 as Manitoba. We have something to say about the
5 material that they advanced because they were good
6 enough to outline and develop in part their submissions
7 during the regional hearings in Winnipeg, and we have
8 covered that, but no other one.

9 We could have done it with Saskatchewan, but
10 we felt it was better not to do that, having only had
11 one, and our material, therefore, does not contain
12 what might be termed answers.

13 THE CHAIRMAN: You still have the privilege
14 of argument.

15 MR. SINCLAIR: Oh, yes. I must also say
16 that we do have something to say about British
17 Columbia --

18 THE CHAIRMAN: We would expect that.

19 MR. SINCLAIR: But, you say we still have
20 argument. I suppose we can cover it that way, and we
21 will try.

22 THE CHAIRMAN: Mr. Smith?

23 MR. SMITH: At recess, you were dealing
24 with the appendices, Mr. Dickson?

25 MR. DICKSON: Yes, Mr. Smith.

26 MR. SMITH Q: You were dealing with the
27 appendices referred to on page 28 of your brief in
28 paragraphs 110 to 113.

29 Will you please explain those appendices?

30 MR. DICKSON: Mr. Smith, I had only explained



1
2 what Appendix 6 was.

3 Appendix 7 shows those competitive rates
4 which on November 30th, 1959 were the same as the
5 rates in effect on November 30, 1958.

6 Appendix 8 lists those competitive rates
7 which on November 30th, 1959 were lower than the rates
8 in effect on November 30th, 1958.

9 Now, we have broken each appendix down by
10 parts to show the movements within and between the
11 various regions. I perhaps should say that there is
12 no rates between the eastern and western regions
13 because we did not analyse that particular tariff.

14 If I may return to appendices 6, 7 and 8.
15 Appendix 6 shows that the rate switch were less than
16 17 per cent higher on November 30th, 1959 than on
17 November 30th, 1958.

18 Part A is the Maritime to Maritime movement
19 and there are a few commodities there: bituminous
20 coal, alcoholic liquors, petroleum products.

21 Part B is the Maritime to eastern movement --
22 some lumber and forest products, gypsum rock, and
23 a few movements of sugar.

24 Part C: eastern to Maritime. There are some
25 commodities, I suppose, produced by Lever Brothers
26 or Proctor and Gamble, whoever happens to be in
27 Hamilton and Toronto.

28 Part B. Perhaps I should make this comment
29 here. Those are the commodities that move within,
30 from, or to the Maritimes which took less than 17 per



1
2 cent increase.

3 Part D is eastern to eastern movements, and
4 as you will see that is quite substantial. There are
5 a vast number of commodities there; commodities which
6 because of competitive reasons apparently took less
7 than the 17 per cent increase.

8 Part E is the western to western movements
9 and, again, there is a vast number of commodities.

10 Part E begins on page 11 of appendix 6. But,
11 as I say, there are a vast number of commodities,
12 ranging literally from soup to nuts.

13 Appendix 7 are those rates which escaped
14 entirely from the 17 per cent rate increase. It is
15 broken down into the --

16 Q. What page does that appear on?

17 MR. DICKSON: That is appendix 7, page 1
18 and onward. It is broken down into the various parts
19 and Part A shows the Maritime to Maritime movements
20 which escaped the 17 per cent increase.

21 There are a number there: cement, concentrates,
22 returned empty cylinders, empty aeriated water returned,
23 compressed gas, propane gas, and various miscellaneous
24 commodities moving at LCL ratings. Petroleum products.
25 There are the commonly known piggy-back movements.

26 Q. Where is that found?

27 MR. DICKSON: That is found on page 9 of
28 appendix 7. Part B on page 10 and 11 and 12 of appendix
29 7 shows the Maritime to eastern movements, and I might
30 mention here that Part C is missing. We had given



(Smith)

1
2 it to the printers and asked them to put in a note
3 that there were no movements from the eastern region --
4 I'm sorry. It is on page 11. Part B, Maritime to
5 eastern, is on page 10. Part C, eastern to Maritime,
6 is on page 11. Part D shows the eastern to eastern
7 movements; and, there again, there is a vast number of
8 commodities: sulphuric acid and anhydrous ammonia,
9 automobiles, plaster, gravel, carbon tetrachloride,
10 compounds, bars -- iron or steel; billets, blooms
11 and/or ingots, and so on, until you come to page 44 and
12 45, to page 87. You have again a very extensive list
13 of commodities moving within the western region which
14 escaped all of the 17 per cent rate increase.

15 MR. FRAWLEY: On appendix 7, Mr. Smith, page
16 22, there is an absence of rates. Perhaps that is
17 explained?

18 MR. SMITH: Could you explain that, Mr.
19 Dickson, for Mr. Frawley?

20 MR. DICKSON: Oh, Mr. Frawley, that is just
21 a continuation of the list of commodities which move
22 at the rates shown on page 21. That list of
23 commodities was so large that it occupies part of
24 page 21, all of page 22, all of page 23, and the
25 notes in connection with it are on page 24.

26 MR. FRAWLEY: And you go back to page
27 21 for the rate?

28 MR. DICKSON: That's right, sir.

29 I think the conclusion could be drawn from
30 appendix 7 that far less of the Maritime rates were



1
2 able to escape in full the 17 per cent increase.

3 Appendix 8 perhaps shows roughly the same
4 thing. It is divided into the various parts and,
5 there, again, less Maritime rates were lower on
6 November 30th, 1959 than they were on November 30th,
7 1958.

8 So, there again, Maritime rates were able
9 to escape to a lesser degree the impact of the 17
10 per cent increase than rates in other regions of
11 Canada. These appendices, 6, 7 and 8, are, in our
12 respectful opinion, a most striking example of the
13 great differences in the strength of competition in
14 the several regions of Canada. They show, we feel,
15 for the first time, perhaps, some rough measurement
16 of these differences, and they point to the need
17 for a very cautious approach to general statements
18 regarding the pervasiveness of competition throughout
19 all of Canada.

20 MR. CARTER: Am I right, sir, that there
21 is no part E in appendix 8?

22 MR. DICKSON: That is the one, I believe, I
23 got confused on a moment ago. Yes. No, there is a
24 part E, sir, but there is no part -- there is a part
25 E on page 9.

26 MR. CARTER: Oh, yes, thank you.

27 MR. DICKSON: But there is no part C. There
28 is a note on top of page 4 that no rates from the
29 eastern regions to the Maritime region were lower
30 on November 30th, 1959 from the rates in effect on



1
2 November 30th, 1958.

3 I think it is obvious from what I have
4 said already that the conclusion could be drawn that
5 competitive traffic as well as agreed charges of
6 interest to the Atlantic provinces is much less
7 able to escape the impact of a general rate increase
8 than traffic moving in the rest of the country.

9 MR. SMITH Q: Now, Mr. Dickson, I refer
10 you to paragraph 119 on page 29, and perhaps you
11 might read paragraphs 119 and 120?

12 A. Yes.

13 "To sum up, the growth of competition
14 has brought about far-reaching changes in
15 transportation, the most serious of which
16 has been the way in which it has undermined
17 the system of charging differentially or
18 the value-of-service principle in railway
19 pricing reflected in a shift of the
20 incidence of post-war horizontal freight
21 rate increases, thus creating serious
22 transportation problems in outlying economies
23 like that of the Atlantic region.

24 It is difficult to escape the
25 conclusion that the growth of competition
26 has had the effect of thwarting, in the
27 case of the Maritimes, the original design
28 of a freight rate structure which was
29 intended to unite the country into an
30 integrated economic unit."



1
2 Q. I think you could proceed to read
3 the following paragraph.

4 MR. DICKSON:

5 "There is no implication that the
6 value-of-service principle is obsolete but,
7 in the face of the new conditions of
8 competition in transportation it has become
9 progressively less able to function
10 effectively so as to ensure the railways
11 sufficient revenues without at the same
12 time working hardships on regional economies.

13 The same holds true in so far as the
14 Maritime Freight Rates Act is concerned.
15 In answer to the question posed at the
16 beginning of this chapter regarding the
17 effectiveness of the act today in continuing
18 the purpose of the Intercolonial Railway,
19 to paraphrase the words of the Royal
20 Commission on Maritime Claims, it appears
21 that the interests of the Maritime provinces
22 are no longer 'fairly well safeguarded,
23 the freight rate structure being such as
24 to take into account the requirements of the
25 traffic'. This is not to state that the
26 Act has become obsolete, but that in the
27 light of the new developments in
28 transportation, it has become more and more
29 difficult for 'Maritime merchants, traders
30 and manufacturers' to compete in the



1 'market of several millions of people'
2 which they were meant to have rather than
3 being restricted to the 'small and scattered
4 populations of the Maritimes themselves'.
5 In short, the Act has become less and less
6 able to fulfill the purpose of the
7 Intercolonial Railway. The mechanics of the
8 Act are no longer able, in view of the changes
9 which have taken place in transportation,
10 to carry out adequately the purpose of the
11 legislation. It would thus appear that
12 a new concept of the machinery of the Act
13 is necessary in line with the changed
14 conditions in transportation to ensure
15 that the Act, regardless of future
16 developments in transportation, would
17 continue to function in the spirit and
18 purpose it was originally intended."

19
20 Q. Have you any further comments to make
21 on these paragraphs 119 to 122?

22 MR. DICKSON: No. I think, Mr. Smith, I
23 could not express it any more clearly than it is
24 there.

25 MR. SMITH: I now propose to call to call
26 Mr. Parks, whom I have mentioned in the opening of
27 this hearing. Perhaps Mr. Parks could take the
28 stand.

29 I refer you, Mr. Chairman and members of
30 the Commission, to appendix 9 which is contained



1
2 in volume 2 of the submission, and that appendix
3 was prepared by Mr. Parks.

4 THE CHAIRMAN: It was quite a job.

5 MR. SMITH: Yes, it was quite a job as you,
6 Mr. Chairman, state.

7 I do not propose to have Mr. Parks read
8 this appendix, but I am asking him to speak to it
9 and to comment upon it.

10 Mr. Parks, as stated in the evidence at
11 the early part of this hearing today, is the Director
12 of Research for the Atlantic Provinces Economic
13 Council. What is the Atlantic Provinces Economic
14 Council, Mr. Parks?

15 MR. PARKS: The United Provinces Economic
16 Council, commonly known as APEC, is a voluntary
17 organization of business and industry, designed to
18 improve the economies of the Atlantic provinces of
19 Canada, to determine and implement means of
20 improving the economy of this area.

21 THE CHAIRMAN: We have heard quite a bit
22 about it from Mr. Wardell.

23 MR. SMITH: On certain topics!

24 THE CHAIRMAN: Yes.

25 MR. SMITH: Now, as I stated, Mr. Parks,
26 I am not going to ask you to read this voluminous
27 submission containing, as it does, about ten or
28 eleven pages of text and very many appendices in
29 which the statements made in the text are supported.
30



1
2 Perhaps I could ask you, Mr. Parks, to state what
3 this submission contains, in your own words?

4 MR. PARKS: I shall attempt to comply
5 with that request. Personal income per capita is the
6 generally acceptable and easily available indicator of
7 relative levels of economic activity. Since 1940
8 personal income per capita has increased threefold
9 in the maritime provinces and since 1949, Confederation
10 date, has risen somewhat higher in Newfoundland. How-
11 ever, since 1940 personal income per capita in the
12 maritimes has been about only 70 per cent of personal
13 income per capita in Canada as a whole each year.
14 Since 1949 personal income per capita in Newfoundland
15 has ranged between one-half and 56 per cent of personal
16 income per capita in Canada. There is some evidence
17 to suggest too that were it not for transfer payments
18 these ratios might not have been so well maintained.

19 I think we can expect this situation should
20 exist when we take notice of the labour force partici-
21 pation rate which is lower in the Atlantic provinces
22 than it is in Canada as a whole. This participation
23 of people in the labour force is lower for a number
24 of reasons; one, because of the relative concentra-
25 tion of people in the under fourteen and over sixty-
26 five age groups, and for other reasons which I shall
27 bring out and which are inherent, I think, in the
28 nature of the economy of the region.

29 Unemployment rates are generally higher in
30 the Atlantic provinces, and seasonal unemployment, or



1
2 course, is a problem in Canada everywhere but it is
3 a particular problem in the Atlantic provinces. Our
4 lower levels of income are, of course, also influenced
5 by per capita levels of total but particularly, I
6 think, of business investment.

7 The three primary occupations of farming,
8 fishing and logging, and the processing of fish and
9 forest products -- and I exclude pulp at this time --
10 have traditionally played a very important and indeed
11 a complementary role.

12 Q. You refer to pulp or pulpwood?

13 MR. PARKS: I am referring to pulp from the
14 woods to the final product. They have traditionally
15 played an important and I think a very complementary
16 role in our economy.

17 The value of output of these three primary
18 sectors of the Atlantic economy continues to rise,
19 but labour requirements are declining due to increasing
20 mechanization, I suppose, and to a rising labour
21 productivity. We estimate, for example, that employ-
22 ment in agriculture in the maritimes dropped by about
23 50 per cent in 1940 and 1957, and in the lumber and
24 wood-using industry we estimate a drop of about 25
25 per cent. Primary fishing employment dropped also,
26 but this was approximately compensated for, I think,
27 by a rise in fish processing employment.

28 It seems to us that there is every reason
29 to expect that the labour requirements of these primary
30 occupations will continue to decline. I might note



1
2 also that in spite of the decline we have noted in
3 employment in those occupations, they continue to
4 hold a disproportionate number of subsistence workers.
5 The Gordon Commission quite forcibly directed attention
6 to this situation and to its effect on levels of
7 income.

8 Turning from these three sectors of the
9 economy to the pulp and paper and mineral sector, we
10 note considerable growth and I think we have every
11 reason to expect that this growth is going to continue.
12 The probable exception to this generalization, I suppose,
13 is the coal industry of Nova Scotia. However, the
14 ability of this rather capital intensive type of
15 activity to employ labour has resulted in only modest
16 growth in employment in these two sectors. We
17 estimate, for example, that there were only about
18 2500 more jobs in the two sectors to which I have
19 just now referred of the regional economy in 1957
20 than there were in 1949. We conclude that labour
21 displaced from primary occupations is being directed
22 in some considerable measure to the construction industry
23 and to the service trades. We estimate that about
24 fourteen thousand new jobs were created in construction
25 between 1949 and 1957 in our region. This construc-
26 tion activity was, of course, directly related to power
27 development to serve new pulp and paper and mineral
28 capacity, with military installations and facilities,
29 with public works, and housing. We sometimes find it
30 difficult, however, to see how the very pronounced



1
2 increases in the rate of construction, which have
3 characterized the last few years, can continue for an
4 indefinite period.

5 I haven't yet mentioned manufacturing other
6 than that type of manufacturing which is based on the
7 raw materials of the region. Very little, if any,
8 real increase is apparent in the value of non-resource
9 basis manufacturing in the maritimes from the latter
10 war years until 1956. The increases of 1956 and
11 1957 were not matched by a comparable rise in labour
12 employment. Indeed, employment in manufacturing which
13 is based on the resources which are peculiar to the
14 several regions of Canada appears to have advanced more
15 rapidly in all other regions than in the Atlantic
16 provinces. Referring to the other branch of
17 manufacturing, or the manufacturing which is not based
18 on raw materials, which are peculiar to the several
19 regions, in Newfoundland employment rose by about 700
20 in absolute figures between 1949 and 1957, but in the
21 maritime provinces the rate of expansion of this other
22 type of manufacturing employment has not kept pace with
23 that in any other regions. Our estimations show, for
24 example, that employment in the Atlantic provinces in
25 this other employment rose by only approximately one
26 per cent as between 1949 and 1957. I suppose that
27 the lack of growth in secondary manufacturing is to
28 be explained by the market-oriented nature of this type
29 of activity. The population of the Atlantic provinces
30 -- four of them -- is similar in size to that of



1
2 Metropolitan Montreal and Metropolitan Toronto. It is
3 scattered over wide sections of the region. There are
4 only three well-separated metropolitan areas, Saint
5 John in New Brunswick, Halifax in Nova Scotia and
6 St. John's, Newfoundland, and these three metropolitan
7 areas contain only 19 per cent of the total population --
8 slightly over half is rural.

9 Personal disposable income which determines
10 the level of purchasing power is low. DBS data will
11 show that in 1958 personal disposable income in the
12 four Atlantic provinces was slightly less than that
13 of the province of Alberta, although the population of
14 the Atlantic provinces was about 50 per cent greater than
15 that of Alberta. At the same time income data indicate
16 that family incomes are considerably lower even among
17 urban people in the Atlantic provinces than they are,
18 for example, in the prairie provinces, or the area
19 which, I suppose, most closely resembles the maritimes
20 with regard to the nature of population distribution.
21 To the extent that manufacturers of secondary commo-
22 dities require substantial markets near at hand for
23 efficient production, such manufacturers are at a
24 distinct disadvantage in the Atlantic provinces. At
25 the same time, of course, distance inhibits the entry
26 to the concentrated market areas of central Canada.

27 If I may, sir, I would like to refer to the
28 last paragraph marked "Conclusion" on page 11 of
29 Appendix IX. It seems unlikely that the employment
30 which results from the further development of the



1
2 resource-based industries, from increased activity
3 in construction or from growth in the service trades
4 will be sufficient to relieve the pressure of excess
5 labour in primary occupations, including coal mining,
6 and to provide placement for those entering the labour
7 force with increases in population. Nor is there
8 any reason to suppose that, under existing conditions,
9 other manufacturing will accomplish this. Under these
10 conditions a reasonable prospect might be, then, a
11 continuation of the general income differentials
12 between the Atlantic provinces and other parts of
13 Canada. An examination of the role which transpor-
14 tation might play to alleviate this situation assumes
15 broad significance.

16 Q. Have you any further observations to
17 make in respect of your Appendix IX?

18 MR. PARKS: No, sir.

19 Q. Thank you, Mr. Parks. I think I shall
20 recall Mr. Dickson now to the stand.

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1
2 I observe, Mr. Dickson, in paragraph 160,
3 at page 39 -- I am perhaps getting ahead of the sequence,
4 but paragraph 160, which was prepared before Mr. Parks
5 gave evidence, states:

6 "Appendix IX to this submission contains
7 an analysis of the economy of the region
8 prepared by the Atlantic provinces
9 economic council. It is readily appar-
10 ent from the appendix that while the
11 economy of the region has grown during
12 the period surveyed, its growth has
13 lagged far behind that of Canada as a
14 whole, and will continue to do so, unless
15 remedial measures are taken."

16 Do you subscribe to that statement?

17 MR. DICKSON: Yes, we do, Mr. Smith; and
18 in the role that transportation has to play in
19 remedial measures, I think we have expressed it very
20 clearly in paragraphs 161, 162.

21 Q. I propose to refer to those a little
22 later on, and now I will bring you back to the beginning
23 of Chapter III on page 31, which is headed "Require-
24 ments and Proposals for the Maritime Freight
25 Rates Act".

26 Now, would you, sir, please read what is
27 stated in paragraph 123?

28 A. A valid revision of the Maritime Freight
29 Rates Act must meet the following requirements:

30 (1) It must be able to bridge the rate gap



1
2 between maritime and central Canadian producers
3 in the important market of central Canada.

4 (2) It must do this over time and must, therefore,
5 contain a mechanism which will compensate for
6 rate distortions arising (a) from disparities
7 in the intensity of carrier competition in the
8 two territories and (b) from horizontal percentage
9 rate increases.

10 (3) It must not deprive Atlantic provinces shippers
11 of the opportunity of availing themselves of
12 services and rates of carriers other than the
13 railways.

14 Q. Just in connection with that, a question
15 of carriers other than railways, what carriers had you
16 in mind in that statement?

17 MR.DICKSON: Carriers that provide a service
18 competitive with the railways. I am thinking in par-
19 ticular of the water carriers and the trucking industry,
20 for-hire trucking industry; for-hire water carriers, too,
21 sir.

22 Q. Now, what do you say as to whether those
23 requirements to which you refer are now met by the
24 Maritime Freight Rates Act?

25 MR.DICKSON: We say that none of those re-
26 quirements are met by the Maritime Freight Rates Act at
27 the present time.

28 Q. Now, in paragraph 125 you refer to
29 Appendix V?

30 MR. DICKSON: Yes, sir.



1
2 Q. Which contains a number of rate histories
3 on several commodities moving from several points
4 and origins. Would you comment and enlarge upon that
5 statement and explain the appendices to which you refer?

6 MR. DICKSON: I think it might be easiest
7 for everyone to understand if they would refer to
8 Appendix V and I will read the comments we have made on
9 Appendix V that are shown in paragraph 126. I am sure
10 I would make it much longer if I tried to do it without
11 reading it.

12 Q. Would you read paragraph 126?

13 MR. DICKSON: Yes. The following obser-
14 vations in respect of Appendix V will make this clear:

- 15 A. Steel bars: The January 1, 1928, differential
16 of 50 cents per net ton in favour of the non-
17 maritime shipper for a 40,000-pounds carload
18 has increased to 600 cents a ton. Or, the
19 differential of 30 cents a net ton in favour of
20 the maritime shipper if he were to load a
21 60,000-pound carload has disappeared and been
22 replaced with a differential of 400 cents a
23 net ton in favour of his central Canadian
24 competitor.
- 25 B. Electric Stoves: The July 1, 1927 differential
26 of 20 cents per 100 pounds in favour of the maritime
27 shipper for a 30,000 pounds carload has disappeared
28 and been replaced with a 26 cents per 100 pounds
29 differential in favour of his central Canadian
30 competitor.



- 1
- 2 C. Wall Plaster: The July 1, 1927 differential
- 3 of 11 cents per 100 pounds in favour of the non-
- 4 maritime shipper has increased to 23 cents per
- 5 100 pounds.
- 6 D. Billets and Blooms: While the July 1, 1927
- 7 differential of 130 cents per gross ton in favour
- 8 of the non-maritime shipper has increased to
- 9 146 cents per gross ton during the period
- 10 December 1, 1959 to April 15, 1960, more
- 11 significant is the differential of 441 cents per
- 12 gross in favour of the non-maritime shipper
- 13 which exists during the 7½ months period April
- 14 15th to November 30th when a water competitive
- 15 rail rate is in effect from Hamilton, Ontario.
- 16 It should also be noted that the carload
- 17 minimum weight for the maritime shipper has
- 18 increased from 30 gross tons to over 60 gross
- 19 tons.
- 20 E. Canned Apple Products: The June 4, 1930 differ-
- 21 ential of 16 cents per 100 pounds in favour of the
- 22 non-Maritime shipper for a 24,000 pounds carload
- 23 has increased to 35½ cents per 100 pounds for
- 24 a 60,000 pounds carload. In 1930 the rates
- 25 from the maritime origin and from the central
- 26 Canadian origin were class rates, and despite the
- 27 establishment of agreed charges from both origins
- 28 the differential has increased by 122 per cent.

29 If I might interject this: there is another

30 example where the establishment of an agreed charge



1
2 from the Atlantic origin indicates that apparently the
3 competition, while it brought about an agreed charge,
4 wasn't as intensive as elsewhere in Canada.

5 F. Canned Meat Products: Using the lowest rates
6 available from both the maritime and central
7 Canadian origins, the April 16, 1930 differential
8 of 5 cents per 100 pounds in favour of the maritime
9 shipper has disappeared and been replaced with a
10 $41\frac{1}{2}$ cents per 100 pounds differential in favour
11 of his central Canadian competitor.

12 G. Canned Vegetables: Using the lowest rate
13 available from both the maritime and central
14 Canadian origins, the June 4, 1930 differential
15 of $10\frac{1}{2}$ cents per 100 pounds in favour of the
16 non-maritime shipper has increased to 51 cents
17 per 100 pounds.

18 I should add here, Mr. Smith, that this
19 adverse widening of rate difference has taken place
20 despite an increase of 50 per cent in the rates of
21 subvention under the Maritime Freight Rates Act; and
22 we draw the conclusion, sir, from this appendix that
23 because the rate differences have widened the Maritime
24 Freight Rates Act as presently written is unable to
25 meet the first requirement I read earlier, and it follows
26 that it doesn't meet the second requirement either, be-
27 cause if it had made the adjustment the rate differences
28 in Appendix V would not have widened at least to the
29 extent which they have.

30 Q. I now refer you to paragraphs 142 and 143



on page 35.

MR. DICKSON: 143.

Q. Yes, 143. Would you read that paragraph, and also let me have your comments and conclusions?

MR. DICKSON: Perhaps I could read it and then comment on it.

Q. Yes.

MR. DICKSON: As Chapter 11 points out, the Maritime Freight Rates Act has become less and less effective because of (1) competitive rate reductions outside the Atlantic Provinces not matched on traffic outbound from these provinces and (2) the widening of the rate differentials as a result of the postwar horizontal increases. It is significant to note that in the period 1912 to 1923 rate differentials between maritime shippers and their competitors widened because the originally lower maritime rates were first brought up to the eastern Canadian rate level and then increased in consonance with it. Following the enactment of the statute, on the other hand, maritime rates were subject to the same authorized increases but failed extensively to qualify for the many competitive rate reductions and hold-downs which were given particularly to traffic moving in central Canada.

While the events, therefore, which have taken place since the Maritime Freight Rates Act was enacted are the reverse of those of 1912 to 1923, the effect on the Atlantic provinces is the same. In the



1
2 respectful submission of the Maritimes Transportation
3 Commission, the situation confronting the Atlantic
4 provinces today is the same as they faced in the 1920's.
5 That latter situation, in the words of the Duncan
6 Commission, was "one that can only be dealt with in
7 a broad spirit, and one that for the economic welfare
8 of the maritimes must be met without delay".

9 Q. Mr. Dickson, I would just like you to
10 explain what you mean by the reverse of the situation.
11 What had you in mind when you used those words?

12 MR. DICKSON: Perhaps I can do it with my
13 hands and still put enough words to it to get it on
14 the record.

15 In the period 1912 to 1923 the rates from
16 the maritimes were lower than they were in central
17 Canada, and the rates in the maritimes were brought
18 up to the central Canadian level and the two of them
19 were increased together. With the enactment of the
20 Maritime Freight Rates Act, the maritime rates again
21 dropped below the central Canadian rates. During the
22 postwar rate increases the maritime rates have gone
23 up, the ones in central Canada have gone up, but the
24 ones in central Canada have fallen below those of the
25 maritimes because of the intensive competition there.

26 Q. You refer, Mr. Dickson, in paragraph 145
27 to what the Duncan Commission stated and what they
28 described as to what they proposed to recommend.
29 Perhaps you could read that passage and then comment
30 on it, 145 on page 35; and you might also refer later to



1
2 the applicable page in the Duncan report?

3 MR. DICKSON: The Duncan Commission felt that it
4 had dealt with the situation "in a broad spirit" by
5 recommending a subsidy of 20 per cent on traffic
6 moving within "Select Territory" and on the "Select
7 Territory" portion of the rate on traffic outbound from
8 the region. It had arrived at its recommendation as
9 a result of a rate level measurement based on data
10 submitted by Canadian National Railways. The
11 measurement was a broad one and did not involve "minute
12 and scientific investigation, which would . . . take on
13 indefinite time to conduct". (Report of the Royal
14 Commission on Maritime Claims, page 21.) The
15 Commission was quite aware that the method it had
16 followed and the recommendation it had made pursuant
17 to that method was open to the criticism that it was
18 inaccurate.

19 Q. I notice you have a reference there to
20 the source, the Report of the Royal Commission on
21 Maritime Claims, page 21. I think the proper reference
22 is page 22?

23 MR. DICKSON: Yes.

24 Q. Will you read page 22 of the Report?

25 MR. DICKSON: Quoting from the Duncan Report
26 on page 22, it says:

27 "It might be contended that a flat rate
28 reduction of the amount we claim and in
29 the manner we claim is open to the objec-
30 tion that it does not restore the pre-1912



1
2 relativity of rates within the provinces
3 themselves and that it is not an accurate
4 assessment of the charges that arise
5 from the considerations in mind. We
6 do not believe, and the Canadian National
7 Railways have informed us that they do
8 not believe, that any more accurate
9 or equitable results could be obtained
10 by minute and scientific investigations
11 that would, in any event, take an in-
12 definite time to conduct. The situation
13 is one that can only be dealt with in a
14 broad sphere and one for the economic
15 welfare of the maritimes must be met
16 without delay."

17 I think those are the pertinent facts.

18 Q. On which you base your statement?

19 MR. DICKSON: Yes.

20 Q. I now refer you to paragraph 151 on
21 page 37 at the top of the page. Perhaps it would be
22 well for you to read it.

23 MR. DICKSON: The Maritimes Transportation
24 Commission, in suggesting a method of rate level
25 measurement in this submission, wishes to make it per-
26 fectly clear that it is not claiming scientific accuracy
27 for its proposal. It has been the objective of the
28 Commission to attempt to formulate a procedure for
29 rate level measurements and consequent rate adjustments
30 which would be simple to undertake. It may well



1
2 be that this can be achieved in a better and more
3 accurate fashion.

4 Q. Have you been able to ascertain or devise---

5 THE CHAIRMAN: Might we break now until two?

6 MR. SMITH: Yes.

7
8 ---Luncheon adjournment.
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2 THE CHAIRMAN: Order, please.

3 Very well, Mr. Dickson.

4 MR. SMITH Q: There was a question I put
5 to the witness before the luncheon recess at page
6 37 dealing with paragraph 151. It is stated in the
7 concluding sentence of that paragraph:

8 "It may well be that this objective
9 can be achieved in a better and more
10 accurate fashion".

11 Now, I put a question to you, but apparently
12 the reporter is not here. I think I will have to
13 repeat it -- but perhaps my memory isn't so good;
14 but, I will put the question to you:

15 Is it fair to say, Mr. Dickson, that
16 the method that you have suggested is the best you
17 have been able to devise?

18 MR. DICKSON: Yes, that is a fair statement,
19 Mr. Smith. The method we have suggested is the
20 best we have been able to devise after the long and
21 careful consideration.

22 Q. I see. Now, I direct your attention
23 to paragraph 158 on page 38, and I will ask you to
24 read paragraphs 158 and 159.

25 MR. DICKSON:

26 "As chapter 1 and Appendix II
27 illustrate, the rates on the Intercolonial
28 were lower than the rates in other parts
29 of Canada. 'Whilst the Quebec-Ontario
30 scale was adopted in the March 1st, 1898,



1
2 Tariff, the same mileage grouping was not
3 made uniform with Ontario-Quebec. Up to
4 15 miles, scales in both territories were
5 the same. For 20 miles the Maritimes' scale
6 was the same as the Quebec-Ontario scale
7 for 15 miles. For 100 miles the Quebec-Montreal
8 (sic) 70 mile scale was adopted, and so on -
9 until at 1,000 miles the Maritime rates were
10 the same as those in the Quebec-Ontario
11 scale for a distance of 500 miles.' What
12 this favourable rate structure meant in
13 practice can be seen from a comparison of
14 the 5th Class rates from Halifax to Montreal
15 with those from Toronto to Montreal
16 immediately prior to the change in the I.C.R.
17 rate structure made in 1912. At that time
18 the rate from Halifax to Montreal (for a
19 distance of approximately 837 miles) was
20 25 cents per 100 lbs. The rate from Toronto
21 to Montreal (for a distance of 335 miles)
22 was 22 cents per 100 lbs.

23 Historically, therefore, there is
24 ample precedent for a de-emphasis of
25 distance as a factor in rate making on
26 Atlantic provinces traffic. The Maritime
27 case for a de-emphasis of distance does
28 not, however, rest on historical precedent
29 alone. It is based equally firmly on the
30 recognition that transportation has a



1
2 significant role to play in raising the
3 economy of the Atlantic region to the level
4 of the other regions of Canada."

5 And I might add there, Mr. Smith, that Mr.
6 Parks has already discussed the economy of the
7 Atlantic provinces in relation to other parts of
8 Canada, and from his evidence it shows that
9 remedial measures are required.

10 Q. Yes. And what do you mean by
11 "remedial measures", Mr. Dickson?

12 MR. DICKSON: I think that is clearly
13 stated in paragraph 161 and onwards, and perhaps I
14 could read some of those:

15 "It is the respectful submission of
16 the Maritimes Transportation Commission
17 that, just as in the past transportation has
18 been used as an instrument of public policy
19 in the case of the Maritimes, it should
20 again be so used today as an integral part
21 of any measures which must be taken to
22 eliminate the general income differentials
23 between the Atlantic provinces and other
24 parts of Canada.

25 The Atlantic provinces are firmly
26 convinced that historical precedent and
27 present need require the de-emphasis of
28 distance as a factor in rate making on
29 their traffic.

30 It is evident that, in so far as



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2 transportation costs influence the
3 location of industry, an Atlantic provinces
4 location for firms which must sell a
5 principal part of their production in the
6 Ontario-Quebec markets in order to operate
7 economically must be disadvantageous, unless
8 those costs can be roughly equal to
9 prevailing transport costs from producing
10 points nearer the market."

11 Q. Mr. Dickson, may I ask you another
12 question on this point. Are there any other factors
13 which militate against the Maritime producer selling
14 in the Ontario-Quebec markets?

15 MR. DICKSON: Yes, Mr. Smith. An Atlantic
16 province producer is a long ways from the Ontario-
17 Quebec market. He, therefore, has a time disadvantage --
18 what might be called a time disadvantage. His
19 competitor, located at or very near the market, can
20 give the customer same day or overnight delivery, but
21 the Maritime manufacturer has a number of days in
22 transit before he can make the deliveries. And,
23 to make himself competitive time-wise, therefore,
24 with his central Canadian competitor, he must
25 establish warehouses at certain points and by
26 establishing warehouses he incurs additional costs
27 which are quite substantial in some cases that the
28 manufacturer located right at or very close to the
29 concentrated central Canadian markets does not
30 incur.



1
2 Q. Now, your submission in regard to the
3 points you have been discussing in paragraphs 162 and
4 163 are contained in paragraph 164?

5 MR. DICKSON: I think the first sentence,
6 yes:

7 "It is submitted that it is imperative
8 to attempt to measure broadly the actual
9 rail transport costs in central Canada and
10 to compare them to such costs on traffic
11 outbound from the Atlantic region."

12 And we have adopted in this submission the
13 device of the average rate per 100 lbs. for that
14 measurement.

15 Q. I see.

16 You show at the top of page 40, as table 3,
17 under the heading "Average Rates Maritime to Eastern
18 Movements and Eastern to Eastern Movements of Carload
19 Traffic", rates relating in cents per 100 lbs. to
20 various movements.

21 Now, will you please explain to the
22 Commission this table 3 and what it is intended to
23 indicate?

24 MR. DICKSON: Table 3 is the result of a
25 tabulation we made from the Board of Transport
26 Commissioners waybill analyses for every movement
27 recorded within the eastern rate territory. And,
28 there again, the eastern region is the territory or
29 region described in the waybill analysis. It is
30 the territory lying roughly between Levis and Diamond,



Quebec, on the east; and Fort William, Port Arthur and Armstrong, Ontario on the west.

Then, we made a tabulation of every movement recorded from the Maritime region -- and the Maritime region is that part of Canada east of Levis and Diamond, Quebec, including Newfoundland, to the eastern region; and we calculated from that average rates.

Now, the average rates are shown there for both movements: Maritime to eastern, and eastern to eastern.

We then determine the percentage reduction necessary to apply to the Maritime to eastern average rates to bring them to the level of the eastern to eastern average rates.

I should point out that the Maritime to eastern rates shown in table 3 include the subventions or the reduction authorized by the Maritime Freight Rates Act; namely, 20 per cent for the years 1949 to June 30, 1957, and 30 per cent for the period subsequent to July 1, 1957.

The percentage reductions shown there are quite substantial. They range from a high of 57.1 in 1953 to a low of 46.4 in 1956.

Q. Now, you deal further with these problems in the succeeding paragraphs, paragraphs 166 and 167?

MR. DICKSON: Yes, sir. I have mentioned that just in my explanation of table 3, Mr. Smith.

Q. And, now, you have shown, Mr. Dickson,



1
2 another table at the foot of page 41, paragraph 174.

3 Would you please explain the difference
4 between the two tables?

5 MR. DICKSON: Table 4 is the data contained
6 in table 3 with certain eliminations. We have eliminated
7 certain movements which might be what you would call
8 purely inter-eastern movements, and we have devised
9 two tests to eliminate these certain commodities, and
10 the tests are described in paragraph 173.

11 Q. Would you mind reading that?

12 MR. DICKSON: Yes. First of all, we eliminated --

13 "Commodities which did not move
14 both Maritime to eastern and eastern to
15 eastern..."

16 And, secondly, we eliminated:

17 "Commodities moving Maritime to eastern
18 which, by weight, were less than 1 per cent
19 of the same commodities moving eastern to
20 eastern...."

21 Now, we felt that where commodities were
22 less than 1 per cent by volume of the same commodities
23 moved in the eastern region, these could invariably
24 be classed as an irregular movement. We found, for
25 example, in the nine years way analysis that only in
26 one year was there a movement of sand and gravel (that
27 was in 1954) recorded as moving from Maritime territory
28 to eastern territory, and then it was only one car.
29 We felt that was certainly not a regular movement,
30 and could justifiably be eliminated in an endeavor



1
2 to achieve as nearly as possible comparability in the
3 waybill statistics used.

4 Q. And what was the result of your
5 studies as set out in the tables 3 and 4? What would
6 be the amount required to bring your rates -- the
7 Maritime to eastern average rates -- to the level of
8 the eastern average rate?

9 MR.DICKSON: In the table, Mr. Smith, the
10 amount required, based on the 1958 waybill analysis --
11 the amount required to bring the Maritime to eastern
12 rate to the level of eastern to eastern average rate
13 is 31.3 per cent of a reduction.

14 THE CHAIRMAN: In addition to the present?

15 MR. DICKSON: Yes, that's right, Mr. Chairman.

16 COMMISSIONER ANSCOMB: How much is that in
17 dollars?

18 MR. SMITH: We will deal with that later, Mr.
19 Anscomb.

20 COMMISSIONER ANSCOMB: Thank you.

21 MR. SMITH: Very soon, I think.

22 MR. DICKSON: I perhaps should mention in
23 reply to the Chairman's question that that 31.3
24 reduction would be required on the through rate; it
25 would not be only on the portion of the rate, as
26 the present reduction is that. If you only applied
27 31.3 per cent on the portion you would need a much
28 higher percentage, I would expect.

29 In summing up, Mr. Smith, in reply to your
30 earlier question regarding paragraph 175:



1
2 "Regardless of whether Tables 3 or
3 4 of this submission are used, it can
4 readily be seen that the Maritime Freight
5 Rates Act, despite the increased subvention
6 rate in 1957 has not been able to bridge
7 the rate difference between the Atlantic
8 provinces shipper and his central Canadian
9 competitor in the Ontario-Quebec market."

10 Q. I refer you to paragraph 177 and 178.
11 Perhaps it will be just as well if you read those,
12 Mr. Dickson.

13 MR. DICKSON:

14 "The figures do illustrate, however,
15 the extent of the average rate difference
16 between the Atlantic provinces shipper and his
17 central Canadian counterpart competing in the
18 common markets of Ontario and Quebec. Since
19 the average rates are derived from the
20 waybill analysis, which is a 1 per cent
21 sample of all carload rail movements in
22 Canada, the rates must of necessity reflect
23 the incidence of horizontally applied rate
24 increases and the intensity of motor truck
25 and water competition.

26 Because the waybill analysis picks up,
27 first, a changing consist of traffic each
28 year and, second, traffic moving for
29 different lengths of haul, it is difficult
30 to attribute a change in an average rate



1
2 entirely to a general horizontal rate
3 increase or to a number of competitive
4 rate reductions or hold-downs. However,
5 since the average rates are based on
6 actual rates charged, they must reflect these
7 changes in the rate structure."

8 Q. Now, Mr. Dickson, I refer you to
9 paragraph 180 in which it is pointed out that your
10 Commission is not asking for any change or revision
11 in the Maritime Freight Rates Act in so far as it
12 applies to western Canada. Is that the position of
13 the Commission?

14 MR. DICKSON: Yes, that's right, Mr. Smith.
15 We are not asking for a revision in the Maritime
16 Freight Rates Act in so far as it applies to
17 western Canada because the horizontal freight rate
18 increases and competitive rate reductions and hold-
19 downs which have whittled away the benefits of the
20 Maritime Freight Rates Act on traffic from the
21 Atlantic provinces to central Canada have not
22 affected the Maritimes to western rates to the
23 same degree as they have to central Canada.

24 MR. SMITH: Do you want to give an example
25 of that, Mr. Dickson?
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2 MR. DICKSON: Yes. An example may
3 illustrate that. During the postwar rate increases,
4 in the rates on confectionery from Halifax to Calgary
5 and from Montreal to Calgary there was a difference of
6 eight cents, and that has only grown to nine cents
7 or eleven cents, depending on the minimum weight
8 shipped.

9 Q. I now refer you, Mr. Dickson, to the
10 views expressed as to the up-dating or revision of
11 the Maritime Freight Rates Act contained in your
12 submission, and I suggest you read Section 186.

13 MR. DICKSON: The revision of the Maritime
14 Freight Rates Act envisaged in this submission would
15 have as its first requirement the covering by the
16 federal government, by way of subvention, of the
17 difference in the rate gap between maritime to
18 eastern and eastern to eastern traffic. Second and
19 third requirements are the annual measurement of this
20 difference and the payment of the subventions either to
21 the shipper direct or to all types of for-hire
22 carriers.

23 Q. Now, what specific types of for-hire car-
24 riers had you in mind in making that statement?

25 MR. DICKSON: The for-hire water carriers
26 and the for-hire highway carriers. I perhaps
27 should point out here, Mr. Smith, that we are not
28 asking for subventions to be paid to air carriers.
29 It is our opinion that air services are not developed
30 as a freight carrying medium as fully as other surface



1
2 carriers, and that if and when air services do become
3 an important freight carrying medium, such as the
4 trucking industry or the water carriers of today are,
5 then consideration perhaps should be given to re-
6 viewing our submission in that respect.

7 Q. Now, I direct your attention, Mr. Dickson,
8 to the statement contained in section 188 as to what,
9 in your opinion, Appendix V indicates.

10 MR. DICKSON: Appendix V indicates that the
11 increase in the Maritime Freight Rates Act subsidy from
12 20 per cent to 30 per cent in 1957 on outbound traffic
13 from the Atlantic provinces on the formula set out in
14 the preceding paragraph, that is paying the subvention
15 on the portion of the rate earned within the territory,
16 did not bridge the rate difference between the maritime
17 to eastern average rate and the eastern to eastern
18 average rate.

19 Q. What is your conclusion in that regard
20 as to what has to be done by way of remedy?

21 MR. DICKSON: We suggest that the rate
22 difference may be bridged by the payment of subventions
23 covering the entire percentage difference between the
24 average maritime to eastern and eastern ' eastern
25 rates and based on the total rate rather than the
26 proportion of the rate earned within the territory.
27 We have given indications of this in Tables 3 and 4.
28 This would, in effect, mean a de-emphasis of the greater
29 length of haul to which the Atlantic provinces shipments
30 moving to central Canada are subjected. It would be a



1
2 return to the original design of the maritime rate
3 structure which, in respect of standard mileage class
4 rates, for instance, kept a maritime originating move-
5 ment of 1000 miles at a rate equivalent to the Ontario-
6 Quebec 500 mile scale. This would mean that once
7 again, in respect to transportation costs, an
8 Atlantic provinces location would not be disadvantageous
9 to an industry which must sell a major part of its
10 production in central Canada.

11 Q. Would you now pass to paragraph 191, and I
12 think it advisable that you should read that paragraph.

13 MR. DICKSON: The "Rate Difference" method
14 of subventions has the advantage of being capable of
15 the flexibility which the dynamism of transportation
16 developments requires today and for which the Duncan
17 Commission made no provision. It can be superimposed
18 on the Maritime Freight Rates Act and would exist
19 in recognition of the circumstances and conditions
20 which have arisen since the passage of the Act. As
21 has been shown, these circumstances and conditions
22 could not be dealt with by the statute in its present
23 form.

24 Q. I now direct your attention to paragraph
25 194, in which you point out that the maximum time lag
26 should not be longer than eighteen months in a
27 determination of the subvention rate. Why do you
28 arrive at the figure of eighteen months?

29 MR. DICKSON: Perhaps I can explain that
30 best by way of an example, Mr. Smith. Suppose the



1
2 plan we have suggested here is in effect in the year 1961,
3 and the railways authorized a rate increase on January
4 1st, 1961. The effects of that rate increase should
5 be reflected in the Waybill Data for the year 1961.
6 We think that probably the Waybill Data for 1961 should
7 be available by July 1st, or previous, 1962. So the
8 maximum time length you could get from the time the
9 rate increase was effected to the coming out of the Waybill
10 Data would be eighteen months; if the rate increase came
11 into effect at any time after January 1st, 1961, then
12 it would be less than eighteen months. That, of course,
13 is based on the Waybill Data being available to the
14 Board before July 1st.

15 Q. In paragraph 196, page 45, you deal
16 with the question of fluctuations. Perhaps it would be
17 better if you read that paragraph in order that it could
18 be more readily understood by the Commission.

19 MR. DICKSON: Fluctuations in the yearly
20 subvention rate will depend on the size of the rate
21 difference determined from the average rate calculated on
22 maritime to eastern and eastern to eastern traffic.
23 The rate difference -- and, consequently, the subvention
24 rate required -- should be smaller (consist of traffic
25 and average haul being constant on the two movements)
26 if, for instance, eastern to eastern rates remain
27 constant while maritime to eastern rates decrease due to
28 intensified carrier competition. It would also be
29 smaller, if eastern to eastern rates increase while
30 maritime to eastern rates remain unchanged. Conversely



1
2 the rate difference will be larger -- and the subvention
3 rate required greater -- if, for instance, eastern to
4 eastern rates decrease due to intensified carrier
5 competition while maritime to eastern rates remain
6 constant, or if maritime to eastern rates increase
7 while eastern to eastern rates remain static.

8 Q. Now, in paragraph 198 on page 46 you
9 surmise that the Duncan Commission did not, in their
10 wisdom or with their information available at that
11 time, foresee the effects of increase in competition
12 in the freight rate structure. Perhaps it would be
13 well if you read that paragraph.

14 MR. DICKSON: The Duncan Commission
15 apparently did not foresee the effects of increasing
16 competition on the freight rate structure. This may
17 have been partly due to the fact that the complaints
18 presented to the Duncan Commission by the maritimes
19 were confined to rail rates and also that truck
20 transportation at that time was in its infancy. Had
21 the Duncan Commission been able to foresee the effects
22 of truck competition, it is doubtful that it would have
23 felt that the course it recommended would have the
24 "effect of giving immediate relief in a manner that
25 is equitable as well as broad". (Royal Commission
26 on Maritime Claims, 1927, page 22.) Indeed, the
27 Commission appeared to be conscious of the effect of
28 its recommendation on one of the competitors of the
29 Canadian National Railways, and I quote from page
30 23 of the Duncan report:



1
2 "We are not overlooking that the other great
3 railway system operating in the area should be entitled
4 to equitable consideration if they find themselves
5 prejudiced as a result of the reduction proposed."
6 (Ibid, page 23.)

7 Q. Now, I skip some pages and go to page 49
8 and refer to paragraph 218. You speak there as to
9 what the 1958 Waybill Analysis shows with respect to
10 carload traffic.

11 MR. DICKSON: Yes, Mr. Smith.

12 Q. Would you read that passage? Perhaps
13 I have a question to ask you after you have finished
14 reading it.

15 MR. DICKSON: The 1958 Waybill Analysis
16 shows that carload rail traffic (exclusive of
17 traffic moving at U.S. related rates on which no sub-
18 vention would be applicable) moving from the maritime
19 region to the eastern region produced a revenue of
20 \$201,598. This figure expanded to 100 per cent would
21 be \$20,159,800.

22 Q. Now, can you tell me, Mr. Dickson, if
23 the Waybill Analysis includes all railways operating in the
24 maritime region which would be entitled to the subsidy?

25 MR. DICKSON: No, Mr. Smith. The Waybill
26 Analysis, so we understand, only covers the Canadian
27 National, the Canadian Pacific and the Dominion Atlantic
28 railways that operate in the maritime region. There
29 is the Grand Falls Central in Newfoundland, the Sydney
30 and Louisburg in Cape Breton, the Cumberland Rail and



1
2 Coal Company, the Maritime Coal and Railway Company
3 in Cumberland County of Nova Scotia, and the Canada
4 and Gulf Terminal in Quebec. Now, I doubt very much
5 whether the Grand Falls Central Railway would originate
6 any traffic which would move westbound by rail to
7 points in central Canada. The other four railways
8 at present probably would have some traffic moving
9 westbound by rail to Ontario and Quebec.

10 Q. Do you know what the figures are for
11 those railways that are omitted?

12 MR. DICKSON: No. In attempting to make
13 an estimate of the costs of our plan we had no figures
14 for those railways and there was no way we felt that
15 we could make any kind of a reasonably accurate estimate
16 of what it should be for those railways. We only
17 had the 1958 Waybill Analysis; and, of course, as we
18 point out in our submission, it covers only rail
19 movement and only rail movements for the three major
20 railways in the maritimes.

21 Q. Now, at page 50, paragraph 222, you
22 set out a table which, subject to the qualifications
23 in the preceding paragraphs to which you have referred,
24 sets out the results of the estimate of the cost in
25 1958 of the additional subvention on rail carload
26 traffic based on data in the 1958 Waybill Analysis.

27 Now, would you please explain that table?
28 It is more or less self-explanatory, but I think you
29 had better explain it.

30 MR. DICKSON: Yes, Mr. Smith. The table



1
2 there is the results of the estimate we made to cover
3 the cost of the proposal we are making in this submission,
4 the cost of the additional subvention. It is subject
5 to the qualifications we have there, but it doesn't
6 include less than carload traffic; it doesn't include
7 what these other smaller railways in the maritimes might
8 receive, and it, of course, is rail movements, so it
9 doesn't include highway and water movements. I think
10 perhaps it is quite possible that this table is under-
11 stated even based on the Waybill Data, but those are
12 the tools we had to work with and that is the result of
13 them.

14 COMMISSIONER GOBEIL: Would that be only for
15 traffic moving outside the zone?

16 MR. DICKSON: Yes.

17 COMMISSIONER GOBEIL: Or inside, too?

18 MR. DICKSON: This \$6,500,000, Mr. Com-
19 missioner, would be only the cost of this new subvention
20 based on the figure of 32.5 per cent which we used in
21 this table for traffic moving from the maritime
22 region to points in the eastern region. The present
23 Maritime Freight Rates Act subvention isn't there; that
24 is something separate.

25 MR. SMITH: Q. Now, Mr. Dickson, at page
26 51 you have several paragraphs appearing in your sub-
27 mission which deal with water carriers and other matters.
28 Would you prefer to read those, Mr. Dickson?

29 MR. DICKSON: I think perhaps I can do it
30 best if I read them, Mr. Smith.



1
2 There are at present only three water carriers
3 providing a regular scheduled for-hire service between
4 the Atlantic provinces and Ontario or Quebec, namely,
5 Clarke Steamship Company Limited, Newfoundland-Canada
6 Steamship Limited and Newfoundland-Great Lakes Steamships
7 Limited. All three carriers serve Ontario or Quebec
8 points and Newfoundland points. The major part of
9 the cargo carried in this service is consumer goods to
10 Newfoundland. Such eastbound traffic would not be
11 subject to the additional subvention.

12 From the foregoing, it is evident that a certain
13 volume of traffic presently moving by highway or water
14 carriers for which the present Maritime Freight Rates Act
15 subsidy is not paid would become eligible for the new
16 Maritime Freight Rates Act subvention.

17 Traffic moving by rail at present which might
18 be diverted to truck or water transport, if a subvention
19 were available by those means, would simply be a transfer
20 of the payment from one carrier to another. If the
21 diversion from rail to truck or water is made solely be-
22 cause the truck or water rates have become lower, then
23 the subsidy payment would decrease.

24 Likewise, the encouragement of competition
25 between the various media of transport could very well
26 be expected to lower to some extent the rail rate level
27 on traffic moving from the Atlantic provinces to central
28 Canada and, thereby, result in lower subsidy payments
29 to the railways.

30 On the other hand, an increase in the volume



1
2 of traffic moving from the Atlantic provinces to central
3 Canada will increase the subsidy payments. But an
4 increase in the volume of traffic moving will encourage
5 still further the growth of competition and tend to
6 offset, in part at least, the increased payments
7 because of the increased volume.

8 It is, of course, evident that a substantial
9 increase in the volume of traffic moving from the Atlantic
10 provinces to other parts of Canada would be a prima facie
11 indication that the region was participating to a fuller
12 extent than at present in the economic life of Canada.
13 Such an improvement in the economy of the Atlantic
14 provinces would have beneficial effects beyond the
15 borders of the region.

16 It would be unrealistic to assume that the
17 growth of competition could be expected to lower, by
18 itself, the rates from the Atlantic provinces to central
19 Canada to a level where no subsidy would be required.
20 It would not be unrealistic, however, to expect that
21 competition under a subvention policy applicable to all
22 types of for-hire carriers, will exert a downward
23 pressure on the maritime to eastern rate level and,
24 thereby, hold down the amount of subsidy required.

25 It will be seen from the foregoing that it
26 was not possible for this Commission to make a firm
27 estimate of the cost of the additional subsidy. It is
28 respectfully submitted that the Royal Commission could
29 obtain from the railways and/or the Department of
30 Transport and the Board of Transport Commissioners,



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and the highway and water carriers involved the requisite
revenue and tonnage figures to make a more detailed
and accurate estimate.



1
2 Q. Now, Mr. Dickson, would you please
3 give a brief summary of what your Commission is asking
4 for in this Chapter III of the submission?

5 MR. DICKSON: In reply to that I would say
6 that in brief what we are asking for in this chapter
7 is the rate difference as measured by the average
8 rates between the Atlantic provinces producer and
9 the central Canada producer in the concentrated
10 markets of Ontario and Quebec be bridged by a
11 subvention so that by and large Atlantic provinces
12 industry will be able to compete on more equal terms
13 with industry located within central Canada in those
14 important markets which we were meant to have.

15 MR. SMITH: That, Mr. Chairman and Commissioners,
16 concludes our submission as contained in Chapter III,
17 and I pass on now to consideration of Chapter IV which
18 deals with the transportation situation in Newfoundland
19 which, as Mr. Dickson has pointed out in his evidence,
20 has been somewhat different from the other parts of
21 the Atlantic provinces and therefore requires
22 separate treatment.

23 You will observe that Chapter IV commences
24 at page 53 and it will, of course, be read into the
25 record like the other chapters to which I have already
26 referred, but in the course of Mr. Dickson's/I propose
27 to ask him a few questions by way of supplementing
28 the statements contained in the respective paragraphs.

29 Q. For instance, I take ^{it} that the position
30 of Newfoundland is stated in the opinion of the



1
2 Commission in paragraph 235?

3 MR. DICKSON: Yes, that is right, Mr.
4 Smith, and I will read that, if you wish.

5 "Because Newfoundland's transportation
6 is so different from that of Nova Scotia,
7 New Brunswick and Prince Edward Island,
8 it was considered necessary to include a
9 separate chapter in this submission to
10 deal solely with these problems."

11 Q. Perhaps you could read paragraph
12 234 which supplements that?

13 MR. DICKSON:

14 "Newfoundland's geographic position
15 as an island situated far from the
16 Canadian mainland, the existence of a
17 narrow gauge railway which makes for
18 a break bulk route and limited highway
19 mileage suitable for transport vehicles,
20 produce serious transportation problems
21 which are unique in Canada."

22 Q. I observe, Mr. Dickson, that you use
23 the expression "break bulk": would you please
24 explain that in the context in which it is used?

25 MR. DICKSON: In the context it is used
26 there, "break bulk" denotes the unloading of the
27 contents of railway cars for transfer to vessels
28 and the reloading of railway cars, and this refers
29 to package goods, rather than bulk freight. It does
30 not refer to sand, gravel or coal which generally



1
2 move in bulk. Such bulk shipments of sand, gravel
3 and coal are not accepted for movements to and
4 from Newfoundland unless they are in packages.

5 Q. I think we can pass on to certain
6 passages and come to the paragraph 240, and you
7 refer there to the limited use of containers: what
8 do you mean by that? Perhaps you could read the
9 paragraph.

10 MR. DICKSON:

11 "With the exception of a limited
12 usage of containers, the movements of
13 traffic between Port aux Basques and
14 North Sydney is what is commonly referred
15 to as a 'break bulk' operation involving
16 up to four separate handlings."

17 Q. First of all, what do you mean by
18 a limited usage of containers?

19 MR. DICKSON: Except in cases where
20 traffic moves in specially designed containers
21 direct from origin to destination, and there is
22 only a limited usage of these, there is always
23 a number of additional handlings than there is on
24 the mainland. Some traffic does move from and to
25 Newfoundland in specially designed containers which
26 does not require the unloading of the contents
27 from the containers to the vessel and from the
28 vessel to the containers again on the North
29 Sydney movement. These specially designed containers
30 are utilized for the transportation of vegetable



1
2 oils, from the mainland to Newfoundland, fish oil
3 from Newfoundland to the mainland, and liquid raw
4 materials used in the manufacture of paint from the
5 mainland to Newfoundland. These containers are
6 moved on the flat cars on the rail portion of the
7 haul and they are transferred directly to the vessel
8 for movement between North Sydney and Port aux Basques.

9 Q. In the following two paragraphs you
10 describe the physical aspects of Newfoundland and
11 the steamships and other services.

12 MR. DICKSON: Yes.

13 Q. Perhaps it might be advisable in the
14 circumstances if you just read those paragraphs or
15 parts of them.

16 MR. DICKSON: Paragraph 241 and 242 describe
17 the coastal services -- paragraph 243 and onward.
18 Perhaps I could make this comment that the many
19 outports of Newfoundland -- very often their only
20 connection to the transportation system of the rest
21 of the nation is through the Canadian National
22 Railways coastal service, as we call it. Canadian
23 National operates various coastal services and they
24 call at the various outports. During the period
25 when navigation is closed these outports have no
26 connection in many cases with the national transportation
27 systems. Navigation usually closes toward the
28 latter part of December and is generally resumed
29 during the early part of May, those two dates, of
30 course, depending very much on Mr. Weatherman and the



1
2 ice conditions. Besides the coastal service in
3 Newfoundland, there is some privately operated
4 schooners and motor vessels which play an important
5 part in the transportation to and from the smaller
6 centers and outports, but with the increased cost of
7 construction, the economic replacement of these
8 vessels is prohibitive and as a result their numbers
9 are being depleted by age and loss.

10 In paragraph 245 we look at the highway
11 situation in Newfoundland and point out that with
12 the terrain they have -- massive rock formations,
13 deep bogs and the scarcity of suitable road building
14 materials in certain areas, the short season for
15 road construction and, in the case of the coastal
16 highways, the necessity of moving heavy road building
17 equipment by vessel -- all adds up to very high
18 costs per mile of highway constructed for a province
19 with a small population scattered over great
20 distances, and presents a very serious problem.

21 We say in paragraph 246 that the highway
22 mileages paved between 1955 and 1959 increased from
23 104 to 200, an increase of only 96 miles in those
24 four years. Gravel roads, advanced from 2,307 miles
25 in 1955 to 3500 miles in 1959. The Trans-Canada
26 Highway is expected to be 554 miles long when
27 completed, and at the end of 1959 only 287 miles had
28 been graded and only 69 miles paved. The 69 miles
29 that have been paved are included as part of that
30 200 miles I mentioned earlier.



1
2 From our submission I think it is evident
3 that there is much needs to be done yet to bring the
4 standards of highway in Newfoundland up to the level
5 that will facilitate development of highway cartage.

6 In the following paragraphs we attempt
7 to illustrate that Newfoundland ranks last among
8 the provinces in the use of highway carriage.

9 Q. That is in table 6 at the top of page
10 56?

11 MR. DICKSON: Yes, that is right.

12 Q. You deal in paragraph 250 and
13 following paragraphs with regard to the service
14 rendered by the motor vessel William Carson: do you
15 propose reading that?

16 MR. DICKSON: Perhaps that might be the
17 easiest way of doing that.

18 Q. Before I ask that question, do you
19 think there will be a further development in inter-
20 provincial trucking as far as can be reasonably seen
21 at this time as between Newfoundland and the rest
22 of Canada?

23 MR. DICKSON: No, Mr. Smith. Under the
24 present circumstances we feel it is highly unlikely
25 that there will be much further development of
26 interprovincial carriage in so far as Newfoundland
27 is concerned. We say that because the facilities
28 offered by the William Carson for the movement of
29 highway transport vehicles is limited in two respects:
30 the tariffs which provide the rules, regulations and



1
2 charges for the carriage of automobile trucks and
3 trailers shows that the vessel has a capacity of
4 six trucks and two buses, and it provides the
5 following clearances and limitations for vehicles
6 using it: height not exceeding 11 feet; width not
7 exceeding 8 feet, length not exceeding 32 feet for
8 trucks or trucks and trailers combined including
9 couplings and other projections.

10 Q. Do you know why these limitations
11 are created?

12 MR. DICKSON: I understand, sir, that the
13 32 feet length restriction is because the elevator
14 which is used to move the trucks on and off the
15 vessel cannot accomodate anything longer than 32
16 feet.

17 Q. You deal further with that question,
18 the question of the capability of the vessel to handle
19 trucks at paragraph 252?

20 MR. DICKSON: Yes.

21 Q. Perhaps you should read that?

22 MR. DICKSON: Yes.

23 "The blueprints of the vessel show
24 that she can handle five trucks 23 feet
25 6 inches in length, 8 feet in width and
26 11 feet in height; and one truck 20 feet
27 in length, 6 feet 3 inches in width and
28 11 feet in height. The space allotted
29 for each of the two buses is 33 feet 8
30 inches long, 8 feet wide and 11 feet high.



1
2 The regulations do not permit the trailers
3 to be detached from the power unit and
4 each tractor trailer combination must be
5 accompanied by a driver.

6 Although the tariff provides that
7 the M.V. 'William Carson' has a carrying
8 capacity of 6 trucks, it should be noted
9 that this is reduced to 5 trucks if one
10 of the trucks happens to fall between
11 23 feet 6 inches and 32 feet in length.
12 Further, the carrying capacity is reduced
13 to 4 trucks if three of the vehicles should
14 fall within these dimensions."

15 Q. Carry on with paragraph 254.

16 MR. DICKSON:

17 "Highway freight vehicles of a size
18 accepted on the M.V. 'William Carson' would
19 be subject to a very limited loading
20 capacity. For example, a truck falling
21 within dimensions of 23 feet 6 inches in
22 length, 8 feet in width and 11 feet in
23 height would approximate a three ton
24 single unit truck of a type commonly used
25 for local intra-city cartage with a
26 carrying capacity of 500 to 700 cubic
27 feet. This compares to a cubic capacity
28 of approximately 2,200 to 2,500 cubic
29 feet for the larger trailers used by the
30 trucking industry for inter-city transport."



1
2 Q. I ask you the question as to what
3 the average length of the trailer truck combinations
4 would be?

5 MR. DICKSON: I understand that the average
6 overall length of a typical tractor-trailer
7 combination is approximately 50 feet with an overall
8 height of slightly over 12 feet and a width of 8
9 feet. I think I should point out that the length
10 and height are greater than the maximum size allowed
11 on the M.V. William Carson.

12 We draw the conclusion in paragraph 215
13 that it is abundantly clear that future developments
14 of inter-provincial trucking between Newfoundland
15 and the mainland is severely impeded unless adequate
16 facilities are provided.

17 --- Short recess.
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2 THE CHAIRMAN: Order, please.

3 MR. SMITH: Q: I was referring to paragraph
4 to 264 where reference is made to the Terms of Union,
5 particularly sub-sections 2 and 3, section 32.
6 Perhaps you have those sections before you, and I
7 would ask you to read them into the record.

8 MR. DICKSON: Yes. Sub-section 2, section
9 32 --

10 Q. Sub-sections 2 and 3, section 32?

11 MR. DICKSON: Yes. Sub-section 2 reads:

12 "For the purpose of railway rate
13 regulation, the island of Newfoundland
14 will be included in the Maritime region
15 of Canada, and through traffic moving
16 between North Sydney and Port aux Basques
17 will be treated as all rail traffic."

18 Sub-section 3 reads:

19 "All legislation of the Parliament
20 of Canada providing for special rates
21 on tariff moving within, into or out of
22 the Maritime region will, as far as
23 appropriate, be made applicable to the
24 island of Newfoundland."

25 Q. Perhaps you could read paragraph 265?

26 MR. DICKSON:

27 "While the prevailing rate structure
28 from, to and within Newfoundland is, on
29 the whole, akin to the rate structure of the
30 Maritime mainland, a number of differences



1
2 of major importance exist between rates
3 and services available on the mainland and
4 those available on the Island of Newfoundland.
5 These differences contribute to a serious
6 transportation handicap, which has no
7 parallel in any other province of Canada.
8 The differences are listed in summary form
9 as follows:"

10 And those differences are listed afterwards.

11 Q. In what way is the rate structure
12 akin to the rate structure of the mainland?

13 MR. DICKSON: The class commodity rate
14 scales which apply on the Maritime mainland are
15 generally on the same basis as those in Newfoundland,
16 and the Maritime Freight Rates Act restrictions
17 apply to Newfoundland as well as they do the Maritime
18 mainland.

19 Q. Now, at the second last paragraph
20 on page 59 you mention that Canadian National Railways
21 have found it necessary to impose these restrictions
22 because of the existing facilities and the nature
23 of the operation of handling traffic between Port aux
24 Basques and North Sydney.

25 The question I am putting to you is would
26 these restrictions also apply to coastal services
27 between Newfoundland ports?

28 MR. DICKSON: Yes, sir. The restrictions
29 we refer to, of course, are those that are shown
30 in Exhibit 39 which was filed with the Royal



1
2 Commission during its St. John's, Newfoundland
3 hearings last November, and the rule -- rule 34 --
4 of Canadian National Railways tariff CR 200 which
5 contains the prohibitions and restrictions states
6 that such traffic as described in the rules must
7 not be accepted for movements in vessels, to, from
8 or between points in Newfoundland.

9 Q. Now, on the following page -- page
10 60 -- you show certain particulars concerning
11 commodities which will serve to illustrate the
12 significance of this matter?

13 MR. DICKSON: Yes.

14 Q. And perhaps you could refer shortly
15 to what you have in mind in this connection?

16 MR. DICKSON: Yes.

17 We have shown in our brief a number of
18 examples which we feel illustrate the additional
19 cost that Newfoundland receivers are subjected to
20 because of the prohibitions and restrictions on the
21 handling of traffic to and from Newfoundland.

22 The first one is brick and tile, and I might
23 just mention that the movement of brick and tile
24 in vessels to and from Newfoundland -- brick and
25 tile loose in vessels to and from Newfoundland, is
26 prohibited. Therefore, to move brick to Newfoundland
27 it is necessary to package it.

28 A Maritime shipper of brick and tile stated
29 that the cost of packaging brick and tile for shipment
30 to Newfoundland is very substantial, and we have



1
2 shown them there. They range from a low of \$6.25
3 per thousand for bricks in cartons, to a high of
4 \$90.00 per thousand when you have ten inch blocks in
5 cartons. This all represents additional cost
6 attributable solely to the packaging restrictions
7 imposed on traffic to Newfoundland that would not
8 be applicable to mainland consignments, other than
9 a negligible amount of straw.

10 In terms of the actual volume of the
11 Maritime manufacturer who supplied this data to
12 us, the cost of packaging for Newfoundland customers
13 varies from a low of approximately \$15,000.00 to
14 a high of approximately \$20,000.00.

15 Q. Would that be over and above what it
16 would cost to serve customers on the mainland?

17 MR. DICKSON: Yes, that is right, Mr. Smith.

18 Q. Now, you deal also with furniture
19 and mattresses?

20 MR. DICKSON: In connection with furniture
21 and mattresses, the packing restrictions are
22 as follows:

23 "Furniture will be accepted only
24 in wooden boxes or crates; or in solid
25 or corrugated boxes conforming to the
26 requirements and specifications of rule
27 41 of Canadian classification....

28 Mattresses must be packed in
29 fibreboard boxes; or in double thickness of
30



1
2 heavy paper and double thickness of
3 burlap, securely roped, tied and
4 tagged.

5 We are informed by a large
6 department store located in St. John's
7 that as a result of the above mentioned
8 restrictions, the additional cost to the
9 Newfoundland consumer as compared to a
10 mainland consumer is \$1.25 per mattress
11 and \$5.00 per bedroom suite or dining
12 room suite. "

13 Q. The next topic you deal with is
14 moulding sand?

15 MR. DICKSON: Yes. The movement of all
16 articles in bulk is restricted to and from Newfoundland.
17 In the case of moulding sand, the cost of securing
18 moulding sand in bulk f.o.b. rail cars New York and
19 New Jersey sources of supply is \$4.00 per net ton.
20 This cost advances to \$16.00 per net ton for moulding
21 sand in bags from the same sources of supply.

22 "Because of the prohibition placed
23 against the acceptance of bulk freight
24 moving to Newfoundland, the cost of
25 moulding sand to companies located in
26 Newfoundland is four times greater than
27 that paid by companies located on the
28 mainland before the transportation
29 charges are added."
30



1
2 That, I might mention, is a little bit of
3 additional information for the Commission. They
4 heard about moulding sand when they were in St.
5 John's.

6 Q. A witness by the name of Angel gave
7 evidence?

8 MR. DICKSON: Yes, that's right.

9 "Bulk Liquids: A Newfoundland
10 manufacturer of paint, in an effort to
11 curtail the cost of securing inbound
12 liquid raw materials, uses containers
13 on flat cars at a considerable saving
14 over the previous method of shipping."

15 Those, I might mention, are the containers --
16 one of the containers I referred to earlier.

17 "While a saving has been effected, the
18 capital cost of acquiring the necessary
19 bulk-carrying equipment totalled \$79,000.
20 In addition, it should also be noted that
21 the inbound rate advances 54 per cent
22 when the weight of the containers and the
23 return of the empties are taken into
24 consideration. No such capital
25 expenditure or additional costs are
26 incurred by mainland companies using
27 leased tank cars."

28 Q. Well now, Mr. Dickson, I am passing
29 over various paragraphs until we come to the second
30 last or third last paragraph in your submission. You



1
2 deal there with the question of trailer and container
3 ships, in paragraph 289 - 290.

4 MR. DICKSON: And earlier.

5 Q. I beg your pardon?

6 MR. DICKSON: And earlier.

7 Q. And earlier. Perhaps you might
8 elaborate upon the point you are making in that
9 connection?

10 MR. DICKSON: Yes. In paragraph 286 and
11 onward we are making the suggestion that the most
12 thoughtful and careful consideration should be given
13 to the provision of a container ship suitable for
14 the carriage of containers, highway trailers,
15 automobiles and passengers between an east coast
16 mainland port, such as Halifax, and a port on the
17 east coast of Newfoundland, such as St. John's or
18 Argentia. This would remove much of the disparity
19 between Newfoundland's transportation situation and
20 that which prevails on the Canadian mainland.

21 "Unlike navigation conditions
22 between Port aux Basques and North Sydney,
23 the water gap between Halifax and the east
24 coast of Newfoundland is ice free
25 throughout the entire year. A container
26 ship for this route, therefore, would not
27 require a reinforced hull and special
28 propulsion machinery for ice breaking
29 purposes.

30 There are a number of container



1
2 operations in existence both in Europe
3 and on this continent which are generally
4 of the type described. Several of these
5 operations are used in United States coastal
6 trade. For instance, between New York, N.Y.
7 and Houston, Texas, such a service is
8 provided by Grace Line.

9 Trailer and container ships also ply
10 extensively between England and the
11 continent, England and Ireland and, in this
12 hemisphere, between New York and Venezuela
13 and between New York and Puerto Rico.

14 Tonnage figures for the latter
15 operation (the New York - Puerto Rico
16 service) may be of some interest: 'in its
17 first full year of container ship operation,
18 1957, Pan Atlantic hauled 227,000 tons of
19 cargo. Last year this volume boomed to
20 1,068,000 tons.'

21 Q. How many ships were required to
22 carry on that operation to which you referred?

23 MR. DICKSON: There were three trailer
24 ships accommodating 160 dry cargo trailers and 60
25 refrigerator trailers. I take it that is the
26 accommodation of each; is that right?

27 Q. Yes. That is the one to which I have
28 reference. By contrast, you are contrasting that
29 with the tonnage movement to Newfoundland?

30 MR. DICKSON: Yes, that's right.



1
2 "By contrast, the total 1959 tonnage
3 which moved to Newfoundland both via the
4 North Sydney - Port aux Basques and the all-
5 water routes was estimated as being in the
6 neighbourhood of 550,000 tons. The
7 respective sailing distances in nautical
8 miles are: New York to San Juan, Puerto
9 Rico: 1399; Halifax to St. John's: 531."

10 I might mention that the running time for
11 the New York to San Juan, Puerto Rico service is four
12 days.

13 Q. Well now, will you read paragraphs
14 291 and 292, which concludes this chapter?

15 MR. DICKSON:

16 "With the increasing use of specially
17 constructed containers and highway vehicles
18 for moving both liquid and dry materials
19 in bulk, a container ship capable of handling
20 an adequate number of containers and truck
21 trailers might provide the most economical
22 means of moving such materials to and
23 from Newfoundland. Similarly, general
24 merchandise handled in large containers and
25 highway trailers could be moved to
26 Newfoundland without transshipment,
27 thus reducing to a minimum damage, pilferage
28 and loss.

29 As has been pointed out, the
30 transportation situation of Newfoundland



1
2 is unique and requires for its improvement
3 solutions which will assure the island a
4 transportation environment as nearly
5 comparable as possible to that of the
6 Canadian mainland. It is respectfully
7 submitted that the adoption of the
8 recommendations made in this brief would
9 be conducive to that goal."

10 Q. Mr. Dickson, would you please now
11 summarize briefly the proposals of your Commission
12 in respect of Newfoundland, as contained in this
13 chapter 4?

14 MR. DICKSON: We ask that the competitive
15 rates applicable to Newfoundland -- the water
16 competitive rates applicable to Newfoundland during
17 the season of open navigation be extended for the
18 remaining four months of the year to the point to
19 which they presently apply, as well as to other
20 points such as Bay Robertson, Brookwood, to which
21 they made be made applicable in the future; and
22 that the railways should be reimbursed for any
23 loss of revenue sustained by the extension of these
24 rates. They should be reimbursed through a
25 subsidy.

26 We further suggest that the effect of
27 the water haul between North Sydney and Port aux
28 Basques be removed by way of subventions. And,
29 in paragraph 279, we set out how the mechanics of
30 that might be done.



1
2 We also want to bring to this Commission's
3 attention that there should be a very careful
4 consideration given to the provision of a container
5 ship such as we have described in paragraph 268.

6 COMMISSIONER BALCH: Would it be absolutely
7 necessary for a ship to be built for that very
8 purpose, or couldn't the hold of an ordinary ship be
9 utilized?

10 MR. DICKSON: Commissioner Balch, I believe
11 some of the American vessels are converted vessels.
12 Other ones, I think, are constructed especially for
13 the service. So, if I am right there -- that some
14 of the American lines are converted vessels -- well
15 then, I would expect that we should be able to use
16 converted vessels, too.

17 COMMISSIONER BALCH: Thank you.

18 MR. SMITH Q: Have you any further
19 suggestions, or have you concluded your evidence?

20 MR. DICKSON: No, that is it, Mr. Smith.
21
22 -
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25 -
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28 -
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30



1
2 Q. Now we come to Chapter V, which deals
3 with the subject of railways and Canadian Atlantic
4 ports. I think possibly it might be well if some of
5 the opening paragraphs of this chapter were read with
6 a view to enlightening the Commission upon the topic,
7 which is a very important one to the Canadian Atlantic
8 ports.

9 MR. DICKSON: The securing of the maximum volume
10 of export and import traffic through Canadian Atlantic
11 ports has always been of importance to the Atlantic
12 provinces because of the vital position these ports occupy
13 in the regional economy.

14 Indeed, as this submission has already pointed
15 out, one of the expected results of Confederation and the
16 building of the Intercolonial railway was to channel
17 the trade and traffic of the central and western pro-
18 vinces through maritime ports, particularly during the
19 period when the St. Lawrence river was icebound.

20 Both the federal government and the railways
21 have endeavoured to encourage Canada's export and import
22 traffic to flow through Canadian channels. One of
23 the most recent expressions of national policy with
24 regard to exports is the Canadian National Railways Act,
25 1955 (Chapter 29, 3-4 Elizabeth II) which contains the
26 following section:

27 "21. The Board of Directors shall so
28 direct, provide and procure that all freight
29 destined for export by sea that is con-
30 signed within Canada for carriage to



1
2 National Railways either at point of origin
3 or between that and the sea shall, unless
4 it has been by its shippers specifically
5 routed otherwise, be exported through
6 Canadian seaports."

7 Q. And do you recall, or are you too young
8 to recall, Mr. Dickson, that there were other expres-
9 sions of national policy set out in railway statutes
10 over the years?

11 MR. DICKSON: Yes, I know there are.

12 Q. And this is a settled national policy,
13 is it?

14 MR. DICKSON: Yes, I would agree with that.

15 Q. Perhaps you would go on and state what
16 the federal government has endeavoured, as you have
17 stated, in respect of imports in paragraph 296?

18 MR. DICKSON: In the case of imports, the
19 federal government has encouraged such traffic to flow
20 through Canadian ports by providing a lower rate of
21 duty on goods from United Kingdom and other Common-
22 wealth countries when such goods are imported through
23 a Canadian sea or river port.

24 Q. What do you say as to the railways'
25 policy in this regard?

26 MR. DICKSON: That is in paragraph 297.

27 The railways have encouraged export and
28 import traffic through Canadian Atlantic ports by
29 participating in the so-called "Port Parity Rate Structure".
30 This rate structure was developed following bitter rate



1
2 wars between railways serving the United States Atlantic
3 ports. The port parity rate structure generally
4 equalizes rates as between certain ports and provides
5 recognized differentials between others. (For a
6 history of the port parity rate structure see
7 Appendix B of 95 I.C.C. 539, Maritime Association,
8 Boston Chamber of Commerce v A.A.R.R. Co.) To enable
9 the ports and the railways serving them to share in
10 this traffic, the port parity rate structure was made
11 applicable to Canadian North Atlantic and St. Lawrence
12 River ports as well.

13 The application of this rate structure to
14 Canadian ports means that the rates between say, Toronto
15 and Halifax or Saint John are identical with the rates
16 between Toronto and New York despite the greater dis-
17 tances involved to Canadian Atlantic ports.

18 Q. Now, what do you say as to the substantial
19 volume of export and import traffic flowing through
20 United States ports notwithstanding this settled policy?

21 MR. DICKSON: Well, despite the fact that
22 we have the Port Parity Rate Structure and the efforts
23 of both governments and railways, there is a sub-
24 stantial volume of export and import traffic flowing
25 through United States ports.

26 Q. Now, you speak in paragraph 301 of the
27 winter utilization of the natural ports of Halifax and
28 Saint John and the fears that have been expressed in
29 respect of that utilization.

30 MR. DICKSON: Yes. The facilities of Halifax



1
2 and Saint John are principally utilized during the
3 period that the St. Lawrence river is icebound, and
4 the Atlantic provinces fear that the utilization of
5 these facilities may be further decreased by two
6 developments, namely, by winter navigation of the
7 St. Lawrence river and (2), the inability of the
8 Port Parity Rate Structure by itself to assure the
9 maximum volume of export and import traffic through
10 Canadian ports.

11 Q. You deal with these matters on page 68 in
12 paragraphs 303, 304 and 305.

13 MR. DICKSON: Yes. We, in our submission,
14 brought to the attention of the Royal Commission, wanted
15 to bring to the attention of the Royal Commission the
16 example of the movement last year of vessels to Quebec
17 and Three Rivers during the winter months. There
18 were 22 ocean-going vessels at the port of Quebec
19 between mid-December 1959 and mid-March 1960. These
20 22 vessels discharged 72,000 tons of import cargo and
21 loaded 102,000 tons of export cargo at Quebec City.
22 In addition, the M.V. "Eskimo" docked at Three Rivers,
23 on January 4, 1960, with a cargo of 4,500 tons of
24 steel and 800 tons of general merchandise. The steel
25 cargo was for Montreal's Place Ville Marie project.

26 These tonnages could be considered as
27 losses to the ports of Halifax and Saint John. To
28 quite some extent they also represent losses to the
29 railways, too.

30 Q. Now, you show in paragraph 310 at



1
2 page 69 a table, and I would ask you to please comment
3 and elaborate upon what is stated in that paragraph
4 as well as what is in the table.

5 MR. DICKSON: Yes. In Table 7 we show
6 that if the 4,500 tons of steel ---

7 Q. On the "Eskimo"?

8 MR. DICKSON: --- which were discharged from
9 the "Eskimo" at Three Rivers had been received at the
10 ports of either Halifax or Saint John and moved by
11 rail to Montreal the revenue the railways would have
12 received would have been \$77,400. There would also be
13 a National Harbours Board top wharfage surcharge there,
14 making a total of \$77,580. Because it was dis-
15 charged at Three Rivers and the Canadian Pacific
16 Railway endeavoured to secure the traffic for their
17 rails, they published a rate of 36 cents to meet the
18 competition of the motor trucks. So if they had
19 received the entire 4,500 tons of steel the revenue
20 they would have received would have been \$32,400,
21 or \$45,180 less than they would have received from
22 Halifax or Saint John.

23 I should point out that in this table there
24 are really two ways that the railways lose revenue by
25 the discharge of cargo at ports near central Canada
26 than at the maritime ports. First of all, if the
27 traffic is competitive with highway transport the
28 railways may have to reduce their rates and shrink
29 their revenues considerably to prevent the traffic
30 moving by highway. In this case the Canadian Pacific



1
2 rates shrank from 61½ cents to 60 cents. Secondly,
3 notwithstanding the shrinkage or reduction in their
4 rates, the cargo may still be lost to highway transport,
5 thus resulting in the loss the cargo would have
6 generated had it moved by rail; and in this case
7 we understand the Canadian Pacific did lose a good
8 deal of this tonnage.

9 Q. You deal in 312 with the position which
10 the Commission takes in this regard?

11 MR. DICKSON: Yes. There is no doubt that
12 winter navigation on the lower St. Lawrence river is
13 of benefit to that region of Canada. The ports of
14 Halifax and Saint John are concerned, however, that
15 any growth in the movement of export and import cargoes
16 through St. Lawrence ports during the winter months
17 will result in a distinct loss of traffic to the
18 ports of Halifax and Saint John as well as to the
19 railways.

20 It is respectfully recommended that a national
21 policy of port utilization should be developed which
22 will assure that the Atlantic ports of Halifax and
23 Saint John will participate to the fullest extent in
24 the export and import trade of Canada.

25 Q. Then you deal with the inability of
26 the Port Parity Rate Structure by itself to assure the
27 maximum volume of export and import traffic through
28 Canadian ports. Is that a very important topic, Mr.
29 Dickson, to the national ports of Halifax and Saint
30 John?



1
2 MR. DICKSON: Yes, indeed, Mr. Smith.

3 Q. Indeed to all the ports?

4 MR. DICKSON: Yes. It is not only impor-
5 tant to the Atlantic ports but the ports of Quebec
6 City, Montreal, and I think we can include our west
7 coast friends perhaps, too, would find that if the
8 traffic which presently moves through United States
9 ports moved through Canadian ports it would mean a
10 lot to the various economies.

11 We point out in 316 that in the case of import
12 from the United Kingdom and other Commonwealth countries
13 the diversion of Canadian traffic through United States
14 ports is not substantial. The operation of the
15 British Preferential Tariff which provides a lower
16 rate of duty on such goods when imported through
17 Canadian ports, has apparently been incentive enough
18 to secure much of this movement for Canadian channels.

19 It is obvious that if a substantial portion
20 of the Canadian traffic presently moving through
21 United States ports could be regained for Canadian
22 ports, it would mean much to the economies of the ports
23 concerned.

24 Q. Now, are the governments of the Atlantic
25 provinces alive to the situation and have they recog-
26 nized the importance of utilizing the Atlantic ports
27 more fully?

28 MR. DICKSON: Yes, they have, Mr. Smith.
29 In paragraph 318 of our submission we quote a resolution
30 which was passed at the Conference of the Premiers of



1
2 the Atlantic Provinces held in Charlottetown, Prince
3 Edward Island, on September 23rd and 24th, 1957. Per-
4 haps I could read that?

5 Q. I think so.

6 MR. DICKSON: "Whereas the aggregate dollar
7 value of Canadian overseas exports and
8 imports not routed through Canadian ports
9 in 1955, the latest year for which complete
10 statistics are available, was \$350,000,000;
11 and

12 Whereas the situation is one of particular
13 concern to the Provinces of the Atlantic
14 Region; and

15 Whereas the British Preferential Tariff, which
16 provides a lower rate of import duty on goods
17 routed through a Canadian Sea or River Port, has
18 proved to be an incentive which has resulted
19 in almost all imports from the United Kingdom and
20 other Commonwealth countries being shipped
21 through Canadian ports;

22 Be it therefore resolved that this conference
23 of the Premiers of the Atlantic Provinces urge
24 the federal government to join with the
25 Atlantic Provinces in studying without
26 delay the possibility of providing appro-
27 priate incentives to Canadian exporters
28 and Canadian importers from non-Commonwealth
29 countries designed to channel the maximum
30 volume of export and import traffic through



1
2 Canadian ports."

3 Q. In that quotation you have a statement as
4 to the figure of the aggregate dollar value of
5 Canadian overseas exports and imports not rated
6 through Canadian ports. Have you any later figures?

7 MR. DICKSON: Yes. The latest figure is
8 for the year 1958, and it shows that for 1958 it is
9 \$428,049,430.

10 Q. In other words, in those three years
11 there is an increase to what extent?

12 MR. DICKSON: An increase from \$350 million
13 to \$428 million, roughly -- \$78 million.

14 Q. Now, would you read your submission
15 in this regard, paragraphs 319, 320?

16 MR. DICKSON: Yes.

17 It is the respectful submission of the Mari-
18 times Transportation Commission that a way must be found
19 to secure the maximum volume of Canadian export and
20 import traffic for Canadian ports. Such traffic
21 would benefit the economies of the immediate port areas
22 and overflow into the hinterland of these ports. In-
23 creased export and import traffic through Canadian ports
24 would also add to the volume of traffic handled by the
25 railways.

26 The Maritimes Transportation Commission,
27 therefore, respectfully urges the Royal Commission on
28 Transportation to formulate incentives along the lines
29 of those envisaged by the above resolution. If the
30 Commission should, however, conclude that it cannot do so



1
2 within the scope of its investigation, it is respect-
3 fully submitted that it recommend the formulation of
4 such incentives by appropriate agencies of the
5 federal government.

6 Q. Now, Mr. Dickson, will you please sum-
7 marize briefly your submissions as to Chapter V?

8 MR. DICKSON: Yes. I think, Mr. Smith,
9 those are contained in paragraphs 313 and 320, and
10 I will read them.

11 It is respectfully recommended that a national
12 policy of port utilization should be developed which
13 will assure that the Atlantic Ports of Halifax and
14 Saint John will participate to the fullest extent in
15 the export and import trade of Canada.

16 Paragraph 320 I have already read.

17 Q. That summarizes your views?

18 MR. DICKSON: Yes, that summarizes them more
19 shortly than I could otherwise do.
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1
2 Q. Now, we come to the paragraph which
3 deals with the question of horizontal freight rate
4 increases. There are only four pages, and we are
5 surprisingly concise and terse on what we have to
6 say on this question. Perhaps you might read some
7 of the passages at the beginning of the chapter, Mr.
8 Dickson.

9 MR. DICKSON: The question of general freight
10 rate percentage increases, commonly known as horizontal
11 rate increases, has been of concern to the Atlantic
12 and Western Provinces during the postwar years.

13 As this submission has already pointed out,
14 the postwar freight rate increases have borne heavily
15 on the Atlantic economy because of the method of
16 applying them horizontally. They have been one of
17 the factors contributing to the widening of the trans-
18 portation rate gap between the long-haul Atlantic
19 producer and his short-haul central Canadian counter-
20 part.

21 The distortion in rate relationships has
22 not been caused solely by horizontal rate increases.
23 Competitive rate reductions and rate hold-downs elsewhere
24 in Canada and not matched in the Atlantic provinces
25 have also contributed to rate distortions. Attempts
26 by the Atlantic provinces to attack these two factors
27 singly have failed.

28 Horizontal rate increases have been opposed
29 by shippers and consignees because of the distur-
30 bance in cents per 100 pounds or other unit created in



1
2 the relationship between their freight costs and those
3 of the short-haul shippers and consignees.

4 An illustration of the pure effect of horizontal
5 rate increases is found in the rate history on wall
6 plaster in Appendix V. In this case, none of the
7 rates have been subject to competitive rate reductions
8 or hold-downs. The rates from both Hillsboro, New
9 Brunswick, and Montreal, Quebec, have been increased
10 by the same percentages. The only adjustment made
11 in one rate and not in the other was the reduction in
12 the Hillsboro, New Brunswick, rate on July 1, 1957
13 when the Maritime Freight Rates Act subvention was
14 increased.

15 The postwar horizontal rate advances have
16 resulted in an increase of 31 cents in the Montreal,
17 P.Q. rate. On the other hand, these same horizontal
18 increases have raised the Hillsboro, N.B. rate by 43
19 cents or 12 cents more than the Montreal, P.Q. rate.
20 Had it not been for the additional Maritime Freight
21 Rates Act subvention, the Hillsboro, N.B. rate would
22 have risen to 46 cents or 15 cents more than the
23 Montreal, P.Q. rate.

24 From this rate history it can be seen that
25 the horizontal rate increases have been responsible
26 for widening the rate difference from 11 cents in
27 1927 to 23 cents on December 1, 1958. If it had not
28 been for the increase in the Maritime Freight Rates
29 Act on July 1, 1957, this rate difference would have
30 been 26 cents.



1
2 The opponents of the horizontal percentage
3 increases point out that such increases accentuate
4 existing rate disparities, worsen the situation of the
5 long-haul shipper and are based on the erroneous
6 assumption that all commodities and movements can
7 bear the same percentage freight rate increases.

8 On the other hand, the railways have argued
9 that horizontal percentage increases are the only
10 satisfactory method of dealing with general revenue
11 cases and of distributing the burden equitably.
12 Alternative methods are said to favour the more distant
13 shipper and to disturb competitive relationships between
14 various producers.

15 It is doubtful that horizontal percentage in-
16 creases distribute the burden equitably and maintain
17 competitive relationships between various producers.
18 In fact, the exact opposite appears to be the result
19 of such advances under the present method.

20 As has been shown earlier in this submission,
21 certain traffic has the ability to escape in part or
22 in full a general rate increase. This has meant that
23 traffic which does not have this ability must bear a
24 greater share of the increase and the burden is, there-
25 fore, not distributed equitably.

26 Likewise, when one producer's traffic can
27 escape the rate increase and another producer's traffic
28 cannot, the competitive relationship between various
29 producers is not maintained.

30 Because all traffic is not subject to the same



1
2 rate advance, the present method is no longer a "pure"
3 horizontal rate increase. It is in effect one which
4 gives hold-downs to shippers whose traffic is subject
5 to intense competition. As is evident from appendices
6 VI to VIII to this submission, the traffic favoured
7 with such hold-downs consists chiefly of short-haul
8 movements. Thus the impact of the present method on
9 the long-haul shipper is greater than it would have
10 been had a "pure" horizontal increase been imposed.

11 Criticism of the horizontal method of raising
12 railway freight rates by a uniform percentage in Canada
13 has not been confined to government spokesmen, shippers,
14 receivers and trade groups.

15 In fact, the Royal Commission on Maritime
16 Claims (Duncan Commission) came out strongly against
17 horizontal increases in its 1926 report. "By the
18 mere operation of railway increases -- and having no
19 relation to other business considerations -- the burden
20 which the Trenton (N.S.) plant has to meet now as
21 compared with a Hamilton plant is much greater in money
22 than it was formerly. . . . The railway administration,
23 in giving evidence before us, agreed that long-distance
24 traffic, particularly heavy traffic, has been seriously
25 prejudiced by the operation of the horizontal increases."
26 (Royal Commission on Maritime Claims, 1926, page 26.)

27 An exhaustive review of the general rate
28 increase decisions of the Board of Transport Commis-
29 sioners and its predecessor the Board of Railway
30 Commissioners was made by the Turgain Royal Commission



1
2 on Transportation. That Commission found that in the
3 cases before World War II a substantial number of ex-
4 ceptions to uniform percentage increases were made.
5 Following World War II, however, less use has been made
6 by the Board of Transport Commissioners of requiring
7 departures from the method of increasing rates by
8 uniform percentages, although some exceptions have been
9 made (e.g. Coal and Coke rate ~~increases~~ have been
10 in cents per ton; potatoes, in one of the general rate
11 increase cases, took a lesser percentage increase than
12 was authorized for other commodities; and on cordwood,
13 edgings, mill refuse and slabs, used for fuel only, a
14 maximum increase of 2 cents per 100 pounds was pre-
15 scribed in one of the general rate increase cases).

16 Q. I refer now to paragraph 345 on page 75:
17 would you read that passage?

18 MR. DICKSON: Large horizontal increases are
19 also one of the factors increasing the attrition and
20 erosion of railway revenue. For instance, in 1958 during
21 the 19 per cent freight rate case, Mr. C. D. Edsforth,
22 then General Traffic Manager, Canadian Pacific Railway
23 Company, in explaining an anticipated attrition factor
24 of 50 per cent in competitive traffic, said: "Weight
25 was also given to the fact that the increase proposed
26 is 19 per cent." (Transcript of Evidence, 19% Interim
27 Increase in Freight Rates Case, October 7, 1958, Vol.
28 1029, page 8387.)

29 Q. What inference do you draw from that
30 statement?



1
2 MR. DICKSON: The inference is that the
3 attrition factor would have been less had the requested
4 increase been less.

5 Q. You carry on in paragraph 347, do you?

6 MR. DICKSON: Yes. In effect, then, the
7 larger the increase needed, the greater the erosion and
8 attrition will be. But, at the same time, the greater
9 erosion and attrition factors will, in themselves,
10 raise the percentage by which rates must be increased
11 to yield the required revenue.

12 This would suggest that a solution to the
13 problem of horizontal rate increases should be coupled
14 with a solution to the problem posed by the necessity
15 of recovering revenue requirements from an ever
16 narrowing base of traffic.

17 It is apparent from what has been said
18 earlier in this submission that the effects of the post-
19 war increases have accentuated by hold-downs and
20 exemptions from rate advances on predominantly short-
21 haul competitive traffic. If these increases had
22 been "pure" horizontal rate advances, their impact
23 on long-haul traffic and/or specific commodities
24 would not have been as severe.

25 Q. That concludes your submission on
26 horizontal increases?

27 MR. DICKSON: Yes.

28 Q. And the remaining four paragraphs deal
29 with general matters. Perhaps you would read them
30 and conclude the submission.



1
2 As indicated in the introduction, this
3 submission has concerned itself only with some of the
4 transportation problems which are considered vital to
5 the Atlantic Provinces.

6 The very valid and important submissions
7 received by the Royal Commission during its Atlantic
8 provinces hearings dealt with many other matters of the
9 utmost importance.

10 The Maritimes Transportation Commission expects
11 to comment, during the further proceedings of the
12 Royal Commission, on other matters of importance to
13 the investigation as such matters arise from the
14 submissions of other interested parties.

15 The Maritimes Transportation Commission
16 hopes that the foregoing will be of some assistance
17 to the Royal Commission in its deliberations.

18 MR. SMITH: Mr. Chairman, Major Lafrance
19 handed me a copy of a letter to Mr. Anderson from the
20 Maritime Provinces Board of Trade dated March 1st,
21 1960, in which that group advises that the Maritime
22 Transportation Commission will be speaking also on
23 behalf of the Maritime Provinces Board of Trade, and in
24 these circumstances I am asking that this be put in as
25 an exhibit, or as a supplement to our submission.

26 MR. COOPER: It can be taken right into the
27 record.

28 THE CHAIRMAN: Yes.
29
30



MARITIME PROVINCES BOARD OF TRADE

Moncton, N.B.,

March 1, 1960

Mr. F. W. Anderson,
Secretary and Director of Research,
Royal Commission on Transportation,
P.O. Box 1173,
Ottawa, Ontario.

Dear Mr. Anderson:

Inasmuch as the Maritimes Transportation Commission is affiliated with the Maritime Provinces Board of Trade, the views of the Maritime Provinces Board of Trade respecting transportation matters as they pertain to the Atlantic Provinces of Canada will be contained in a submission of the Maritime Transportation Commission which is being made to the Royal Commission on Transportation in Ottawa.

This advice to the effect that the Maritimes Transportation Commission will be speaking also on behalf of the Maritime Provinces Board of Trade is forwarded to you at this time in order that you might be informed of the stand of this organization in the matters of transportation in the Atlantic provinces.

Yours very truly,

"A. T. Parkes,
Executive Secretary."

MR. SMITH: That is the submission, Mr. Chairman.

THE CHAIRMAN: Thank you, Mr. Smith. Will you carry on at ten o'clock tomorrow morning, Mr. Cooper?

MR. COOPER: Thank you.
---Adjournment.

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

VOLUME No:

DATE

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E R R A T A

VOLUME 1, SUBMISSION OF THE MARITIMES TRANSPORTATION COMMISSION TO THE ROYAL COMMISSION ON TRANSPORTATION

Table of Contents - 8th Line, "Railway" should read "Railways".

Page 8 - Line 25 - "International" should read "Intercolonial"

Page 9 - Line 29 - "International" should read "Intercolonial".

Page 9 - Footnote 1 - "Ecotia" should read "Scotia"

Page 9 - Footnote 2 - "Glazezrook" should read "Glazebrook"

Page 12 - Line 21 - "prevading" should read "pervading"

Page 16 - Line 9 - "International" should read "Intercolonial"

Page 48 - Line 19 - "ton miles" should read "tons"

Line 21 - "ton miles" should read "tons"

Page 48 - Footnote 1 - "Gagdin" should read "Wagdin"

Page 72 - Line 30 - "paid the" should read "paid by the"

Page 79 - Line 6 - "Large" should read "larger"

Page 80 - Line 6 - "Chapter II" should read "Chapter 1"

Page 80 - Footnote 1 - "1924" should read "1944"

Page 108 - Line 19 - "Lewisport" should read "Lewisporte"

Page 126 - Line 20 - "affect" should read "effect".



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INTRODUCTION

The Maritimes Transportation Commission welcomes this opportunity of submitting to the Royal Commission on Transportation the views of the Atlantic Provinces on matters of direct and vital importance to the Region.

The Maritimes Transportation Commission is an organization authorized and supported by the Governments of Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland. Through its affiliation with the Maritime Provinces Board of Trade it is associated with approximately one hundred and five Boards of Trade and Chambers of Commerce in the Atlantic Provinces.

There is little doubt that transportation looms as large in the minds of the Atlantic Community today as it has in the past. The submissions already made to your Commission by Governments, Industry and Trade Groups of the Atlantic Provinces have dealt with many of the particular transportation problems facing the Region.

It is not the intention of the Maritimes Transportation Commission to deal with all such matters in this submission. The lack of reference to any matter raised by any party appearing before your Commission during its Atlantic Provinces hearings in no way detracts from the importance of that particular matter.



CHAPTER I

THE TRANSPORTATION SITUATION OF THE ATLANTIC PROVINCES UP
TO 1951

1. The transportation situation of the Atlantic Provinces up to 1951 embraces over one hundred years of transportation history in Canada. Such a period antedates Confederation as indeed it must since the roots of the present day situation tap deeply into the political and economic expedients--transportation being one of the most important--which made Confederation possible. The construction of a railway linking the Maritimes to the rest of Canada has been adjudged by historians, statesmen and students as one of the most important events bearing on Confederation, a condition precedent, a condition without which there would have been no Confederation of the British North American colonies in 1867.

2. A thorough and complete review of the early transportation history of the Maritimes, therefore, is of the utmost importance in understanding the situation today. It was the events of that time which largely determined the region's present day marketing structure which requires transportation to principal markets situated large distances from the region itself.

3. During the first half of the Nineteenth Century the Maritime Provinces, Nova Scotia, New Brunswick and Prince Edward Island, enjoyed the greatest period of relative economic prosperity in their history, a period which has since become known as the "Golden Age" of the



1
2 Maritimes. Under the wing of the old British commercial
3 system with its protective tariffs and Navigation Acts and
4 aided by the benefits of free access to the American market
5 through the Reciprocity Treaty, the Maritimes early estab-
6 lished a highly unified and integrated economy based on a
7 "Wood, Wind and Water" technique. Vessels built in Lunen-
8 burg, Yarmouth and Saint John carrying products from
9 Sydney, Charlottetown and Halifax sailed to the world's
10 great ports, returning with the riches, wealth and produce
11 of other lands. By successfully exploiting their re-
12 sources of forest and sea and building up markets at the
13 end of cheap and convenient trade routes, the Maritimes
14 developed into a major commercial power, ranking fourth
15 in registered tonnage among the world's great seafaring
16 nations.

17 4. However, near the mid point in the century,
18 roughly during the period 1840-1865, a number of events
19 occurred which seriously undermined the basis of the
20 Maritime economy. The first of these was the reversal
21 of British Commercial Policy which for many years had
22 supported the monopoly of Maritime trade with the West
23 Indies. The adoption of Free Trade by Britain in the
24 1850's dealt another severe blow which resulted in a de-
25 cline of the British preference for Maritime timber.
26 Abrogation of the Reciprocity Treaty by the United States
27 in 1866 closed out the region's markets in natural
28 products in the nearby New England states, while the end
29 of the Civil War, which, while it lasted, had substantially



1
2 increased the demand for the products of the Maritimes,
3 left a serious vacuum in the region's volume of exports.
4 Finally, the successful application of steam to navigation
5 was repeated in the use of the steam locomotive which
6 eventually was to eclipse wood and sail almost completely
7 as the principal means of transport.

8 5. Thus, the Maritime economy was severely crippled.
9 Not only were the Region's great markets lost, but in the
10 process the dependent carrying and shipbuilding trades
11 atrophied. The coming of the railway held out the
12 possibility of a new era of economic expansion and develop-
13 ment in relation to the markets in the Upper Colonies of
14 British North America.

15
16 6. For some time the Maritimes had been engaged in
17 railway building, in the hope eventually of linking up
18 with the Upper Colonies already extensively tentailed with
19 rail lines. The greatest railway project of the time,
20 both in its conception and actual construction, was the
21 Grand Trunk Railway, which by 1860 extended from Sarnia
22 to Montreal, from where it forked south to Portland,
23 Maine, and eastward to Riviere du Loup, Quebec. Two
24 previous attempts to link up with the central colonies
25 having failed, all hope now centered on a railway link
26 with one of the adjacent extensions of the Grand Trunk.

27 7. The Maritimes were not alone in their difficulties
28 during these years, however, as all the British North
29 American colonies were experiencing similar problems re-



1
2 sulting from industrial change, loss of markets and
3 finance. The Upper Colonies faced an additional problem
4 of defence when the United States emerged from the Civil
5 War as a great military power. Gradually all the
6 colonies came to the realization that they shared these
7 problems while possessing complementary resources, and
8 that common action under a common government would be
9 the best method of dealing with them. It was against
10 this background that Confederation was discussed.

11 8. Confederation then was conceived as the solution
12 of a number of political and economic problems and,
13 therefore, had both political and economic aims. So far
14 as the Maritimes were concerned, their main interest lay
15 in obtaining access to the central markets and, as such,
16 coincided with one of the important economic aims of
17 Confederation, that of establishing an effective means
18 of communication and trade between the scattered colonies.
19 To this end a means of transportation between the
20 colonies would be a prerequisite; thus for the Maritimes
21 Confederation held out not only the promise of new
22 markets, but equally important, the means of reaching
23 them.

24
25 9. The Upper Colonies though for different reasons,
26 were also interested in an intercolonial railway, linking
27 them with the Maritimes. Following the Civil War,
28 Anglo-American relations were severely strained by the
29 rise of the great military power to the south which en-
30 gendered fear of annexation by the United States. The



1
2
3 psychological effect of this state of affairs united the
4 colonies in a common desire for defense. Canadian
5 climatic conditions playing perhaps a hitherto unappreciat-
6 ed role in the process of nation building, an incident
7 involving the freezing of a warship in the St. Lawrence
8 vividly brought home to the Upper Colonies the urgent need
9 for a means of access to the ice free ports of the Mari-
10 times. A further consideration was the fear that New
11 Brunswick's railway might be extended to the American
12 boundary. The construction of an all-British route,
13 therefore, became of vital importance to the cementing of
14 the union and the great statesmen of the time eloquently
15 urged its immediate construction.

16 10. The decision to construct an intercolonial
17 railway was, therefore, a condition precedent to Confedera-
18 tion in the sense that without the promise that such a
19 railway could and would be built, there would have been no
20 Confederation. For their part the Maritimes would simply
21 not have been interested in the wider scheme of political
22 union, had it not held out the promise and potential of
23 new markets. As stated by a Nova Scotian delegation in
24 the discussions bearing on Confederation:

25 "An international railroad would give the means
26 of communication at present wanting. It would
27 open to Canada an Atlantic seaboard on British
28 soil, from which she is now cut off; and it
29 would offer to the Lower Provinces a ready
30



1
2
3 access to the vast field of enterprise and
4 progress occupied by their fellow subjects in the
5 interior. It would prove a benefit of incalcul-
6 able value, should it be the precursor of, as it
7 is an absolute necessity towards a legislative
8 union of Her Majesty's North American Provinces-
9 a measure essential to the full development of
10 the power which their situation and character are
11 calculated to confer and without which they never
12 can attain the high position to which their
13 united energies and advantages would lead them."
14 (Quoted in: Province of Nova Scotia: Submission
15 to the Royal Commission on Maritime Claims (1926)
16 p. 5)

17
18 11. Upper Canada on the other hand felt that it had
19 little choice in the matter since the alternative was
20 annexation.

21 (G.P. DeT. Glazebrook: A History of Transportation in
22 Canada (1938), p. 199)

23 The decision to construct an intercolonial railway,
24 therefore, became an integral part of the terms of
25 Confederation and was written into the British North
26 American Act, 1867:

27 Sec. 145 "Inasmuch as the Provinces of Canada,
28 Nova Scotia and New Brunswick have joined in a
29 Declaration that the construction of the Inter-
30 national Railway is essential to the consolida-



tion of the Union of British North American, and to the Assent thereto of Nova Scotia and New Brunswick, and have consequently agreed that provision should be made for its immediate construction by the Government of Canada: Therefore in order to give effect to that agreement, it shall be the duty of the Government and Parliament of Canada to provide for the commencement within six months after the Union, of a railway connecting the River St. Lawrence with the City of Halifax in Nova Scotia, and for the construction thereof without intermission, and the completion thereof with all practicable speed."

12. In relation to Prince Edward Island, no more need be said than that the assumption by the Dominion Government of the railway debt and the guarantee of a year round ferry service were two of the reasons which induced that province into Confederation in 1873. Similarly, when Newfoundland joined Confederation in 1949, the Government agreed to take over the Newfoundland Railway and to provide for the operation of a freight and passenger service, including the transportation of automobiles, between North Sydney and Port aux Basques.

13. The Intercolonial Railway was completed in 1876 at an approximate cost of one million dollars. Appendix I shows the route followed by the railway.



1
2 14. Reference has already been made to the difference
3 of interests between the Maritimes and the Upper Colonies
4 in regard to the purpose each intended the railway to
5 serve. Though considered an obligation in inducing the
6 Maritimes to join Confederation, the map clearly shows
7 that defence interests predominated in the decision re-
8 garding the actual route followed by the railway. In this
9 regard the Royal Commission on Transportation, 1932, ob-
10 served:

11 "For this formidable undertaking, there was
12 selected, largely at the instance of the Imperial
13 Government, which had agreed to guarantee a loan,
14 the long circuitous route of the Royal Engineers'
15 Survey of 1847. This route, its supposed military
16 advantage emphasized by certain incidents of the
17 American Civil War, represented the most distant
18 practicable arc from the American border. In
19 other respects, however, the so-called military
20 survey suffered by comparison with the more
21 direct routes--one approximating that of the
22 National Transcontinental of nearly fifty years
23 later, another projected to descend the fertile
24 valley of the St. John. Thus excessive length
25 and costly construction were added to the econ-
26 omic difficulties of bridging the unproductive
27 gap between Central Canada and the Maritimes,
28 and any real prospect of profitable operation
29 was excluded from the start."
30



(Report of the Royal Commission on Railways and
Transportation in Canada, 1931-32, p. 76)

15. The years following Confederation ushered in a period of rapid economic development in Canada. Although the world-wide depression, which began in 1873, seriously retarded the progress of nation-building until the time of the so-called National Policy in 1879. A logical consequence of Confederation, the National Policy (the protective tariff for Canadian industry) was, in effect, a whole series of plans of the federal government designed to develop a transcontinental economy. Briefly, it was a three-pronged policy of settling the West, of cementing the West to the East by a transcontinental railway, and of erecting protective tariffs on manufactured goods to encourage the development of secondary industry, thus strengthening the flow of east-west trade. In relation to the Maritimes, it was hoped that these policies would benefit the region by channelling the trade and traffic of the central and western provinces through Maritime ports, its prevailing effect acting to stimulate industrial development.

16. In point of fact, however, the National Policy had the exact opposite effect. To the extent that it encouraged the build-up of population and industry in the Central Provinces, it discouraged economic development in the Maritimes. Without the protective tariff the Maritimes would have traded more with the New England States, Great Britain and other countries, the likelihood



1
2 being that these developments would have had the intended
3 effect of the National Policy on the Maritimes. As it was
4 with many of their major industries in a serious state
5 of decline, the hoped-for pattern of industrial develop-
6 ment failed to materialize and the region continued to
7 lose ground economically in relation to the rest of the
8 country.

9 17. The general prosperity in other parts of the
10 country brought about by the wheat boom in the West, the
11 influx of large numbers of immigrants and huge capital
12 investment in the major industrial segments of the econ-
13 omy, spilled over into the opening decades of the new
14 country, ushering in a period of rapid economic develop-
15 ment which, in the short span of thirty years, was to
16 chart the Canadian economy over the whole course of the
17 business cycle. The boom years to 1913 saw the net value
18 of manufacturing production increase by more than two and
19 a half times, textile production more than double,
20 production of iron and steel products increase more than
21 threefold and flour and grist mill products more than
22 fivefold. Geared to a rapid and sustained rate of growth,
23 the drying up of British capital imports, coupled with a
24 decline of export staple prices in world markets, slowed
25 the rate of growth to a halt, which, however, was short-
26 lived. The outbreak of War in 1914 brought about new
27 and greater demands for foodstuffs, munitions and other
28 war requirements thus accelerating the rate of growth and
29 raising the economy to a new plateau of development. The
30



1
2 war-stimulated boom closed out by 1920 and more serious
3 depression threatened as all segments of the economy
4 faced shrinking domestic and external demand. By 1924,
5 however, world conditions had improved and were reflected
6 in increased prices for the country's export staples and
7 the economy accelerated at a slow but steady rate of
8 growth which continued until the great depression of
9 1929.

10 18. These changes, of course, had important effects
11 on transportation, notably a feverish expansion of
12 railway mileage during the closing years of the Nineteenth
13 Century followed by a period of entrenchment and consolida-
14 tion in the formative years of the new century. It was
15 during this time that the Canadian railway problem, so-
16 called, was born when three railway lines spanned the
17 Dominion giving Canada the dubious distinction of having
18 the highest per capita railway mileage in the world. This
19 was a luxury which the young country could ill afford.
20 Following the Report of the Railway Inquiry Commission
21 appointed in 1916, several of the bankrupt lines were
22 taken over by the government, and together with certain
23 government-owned lines, including the Intercolonial, in-
24 corporated into the "Canadian Government Railways", the
25 nucleus of the present Canadian National Railways System.
26 More significant for the purpose of this submission,
27 however, were the changes which had taken place in the
28 freight rate structure during this period, particularly
29 in respect of rates on the Intercolonial Railway.
30



1
2 19. While a detailed analysis of the early rate
3 structure of the Intercolonial Railway might be desirable,
4 it is doubtful whether this would serve to clarify
5 significantly the main policy considerations in regard to
6 the rates on the line. It is sufficient to note that the
7 actual rates on the Intercolonial were based on the rates
8 on other railways in Canada, but that they were generally
9 lower as a direct result of government policy in regard to
10 the operation of the line. Thus there were four merchan-
11 dise classes, and special rates on grain and flour, vege-
12 tables, lumber and livestock. These rates were lower, mile
13 for mile, than those in Ontario-Quebec. In 1889 the "ten
14 class" type of tariff was adopted using the Canadian
15 Joint Classification, but the Intercolonial rates were
16 still on a lower basis than those in Ontario-Quebec.
17 Appendix II, taken from the RAC Henry Study
18 (R.A.C. Henry and Associates: "Railway Freight Rates in
19 Canada" (1939)
20 prepared for the Royal Commission on Dominion-Provincial
21 Relations, 1939, shows this relationship graphically.
22
23 20. This generally similar but lower level of rates
24 on the Intercolonial continued into the first decade of
25 the new century subject to only minor changes and revisions
26 Around 1912, however, the first signs of upward revision
27 in the rates on the Intercolonial as compared to those in
28 Quebec-Ontario appeared. The trend became particularly
29 noticeable as a result of the general rate increases
30 authorized by the Board of Railway Commissioners between



1916 and 1922 when rates on the Canadian Government Railways, including the Intercolonial, though not subject to the jurisdiction of the Board, were, for all practical purposes, treated as though they were, their basis in historical fact and promise as interpreted prior to 1912 being either overlooked or deliberately ignored. While the reasons for this upward revision of rates on the International are not easily defined, it appears that a combination of factors were at work: Rate increases on other railways, Government directives, and an attempt by the Management of the Intercolonial to operate the line on a commercial basis. Whatever the reason, it was directly contrary to the policy which had been in force prior to 1912. The following table shows the effect of these increases on first class rates from Saint John, N.B. to Montreal, P.Q.

TABLE I

FIRST CLASS RATES IN CENTS PER 100 lbs.
SAINT JOHN, N.B., TO MONTREAL, P.Q.

Date	Rate	% Incr. or Dec.	% 1912 Rates	Basis for Adjustment
May 14, 1912	48		100	
May 15, 1912	54	+ 12.5	112.5	Commercializing operation
Dec. 1, 1916	58	+ 7.4	120.8	Eastern Rates Case-Board's General Order 167
Mar. 15, 1918	66½	+ 14.6	138.5	15% Case, Board's General Orders 212 and 213.
Aug. 12, 1918	83	+ 24.8	172.9	25% Case. Order in Council P.C. 1863, July 27, 1918.
Sept. 13, 1920	116	+ 39.7	241.7	40% Case. Board's General Order 308



1	Date	Rate	% Incr. or Decr.	% 1912 Rates	Basis for Adjustment
2	Jan. 1, 1921	112	- 3.5	233.3	Reduction to
3					35% over Sept.
4					12, 1920. Board
5	Dec. 1, 1921	104	- 7.1	216.6	's General
6					Order 308.
7					Reduction to
					25% over Sept.
					12, 1920.
					Board's General
					Order 350.

21. Numerous other instances could be cited to show how rates on the Intercolonial were increased during this period (some by over 200 per cent) and where special rates were cancelled and higher rates substituted contrary to the rate policy of the line prior to 1912. This 'levelling-up' process was completed by 1923 when the Intercolonial became part of the Canadian National Railways System and thus subject to the jurisdiction of the Board of Railway Commissioners. At that time rates on the Intercolonial had reached the level of those in Ontario-Quebec and their intended lower basis had completely disappeared.

22. This state of affairs, coupled with depressed conditions in trade and agriculture, caused considerable agitation in the Maritimes which found expression in a movement urging Parliament for the restoration of 'Maritime Rights'. There was general dissatisfaction with the effects of the National Policy on the region particularly with the failure to develop traffic through the ports of Halifax and Saint John and the loss of the Region's favourable freight rates. Order-in-Council P.C. 505, dated April 7, 1926, was issued, instructing a special Commission to undertake a complete



1
2 investigation into the entire matter. Known as the
3 Royal Commission on Maritime Claims, the Commission made
4 its report the following year.

5 23. In any review of the transportation situation
6 of the Atlantic Provinces two events stand out as having
7 particular significance and relevance in relation to the
8 situation at the present time. The first was the con-
9 struction of the Intercolonial Railway. The second were
10 the findings of the Duncan Commission, as it has become
11 widely known, regarding the purpose of the Railway and
12 the rate policy adopted on the Line in furtherance of that
13 purpose, upon which the Commission based its recommenda-
14 tions. Accordingly, in view of the importance of these
15 recommendations, they are reproduced in the following
16 pages almost in full. (The marginal figures refer to the
17 numbered sections in the Report).

18
19 24. Regarding the alleged reversal of transportation
20 policy with respect to the construction and operation of
21 the Intercolonial Railway the Commission observed:

22 "8...We think, however, that a balanced study of
23 the events and pronouncements prior to Confederation,
24 and at its consummation, confirms the representations
25 submitted to us on behalf of the Maritime Governments
26 in regard to the ultimate construction of the
27 railway, viz:

28 (a) That leading Canadian Statemen in urging the
29 adherence of the Maritime Provinces to Con-
30 federation defined the purposes of the



1
2 railroad to be

3 (1) A means of affording to Canadian merchandise
4 and to Canada herself in times of national and
5 imperial need, an outlet and inlet on the
6 Atlantic ocean -- available all the year round
7 -- and

8 (ii) To afford to Maritime merchants, traders
9 and manufacturers, a market of several millions
10 of people instead of their being restricted to
11 the small and scattered populations of the
12 Maritimes themselves, particularly in the light
13 of the disturbance with which their trade was
14 threatened as the result of the discontinuance
15 by the United States of the reciprocal arrange-
16 ments that had prevailed.

17 (b) That strategic considerations determined the
18 actual course of the line -- making it many
19 miles (estimated by Sir Sanford Flemming at
20 250 miles) longer than was necessary -- if the
21 only consideration had been "to connect the
22 cities of the Maritime Provinces with those of
23 the St. Lawrence."

24 (c) That to the extent that commercial considera-
25 tions were subordinate to national, imperial
26 and strategic considerations, the cost would
27 be borne by the Dominion and not by the
28 traffic that might pass over the line."
29
30



1
2 "9. Rate Structure of Intercolonial Railway

3
4 The Intercolonial Railway was completed in
5 1876, and it would appear from the evidence we
6 have received that from then until 1912 the in-
7 terests of the Maritime Provinces were fairly
8 well safeguarded, the freight rate structure
9 being such as to take into account the require-
10 ments of their traffic. The lower level of
11 rates that prevailed on the Intercolonial
12 Railway system prior to 1912 is, in our view,
13 rightly to be interpreted as the fulfillment
14 by successive governments of the policy and
15 pledges that surrounded the railway from its
16 inception, whatever impressions may have been
17 created by the form of its administration.

18 Since 1912, changes have taken place in
19 the framework of the rate structure, and in-
20 creases have been added to the freight rates.
21 The combined effect of these has been to im-
22 pose upon the merchandise and industry of the
23 Maritimes, a burden which, it is alleged, is
24 quite out of proportion to the increase which
25 has been added since 1912 to the freight struc-
26 ture in other parts of Canada, although it may,
27 in many cases, only have raised Intercolonial
28 Railway rates to the same level of scale as
29 rates in other places.
30



1
2 The net result of these changes is broadly
3 shown by the figures given in evidence by the
4 Railway administration who, at our request,
5 furnished us with statistics to show the
6 position now as compared with 1912 for the Inter-
7 colonial Railway and for the rest of Canada.
8 These figures reveal that Intercolonial rates
9 have suffered an estimated cumulative increase
10 of 92 per cent (i.e. their 100 has become 192).
11 The estimated average increase of rates for the
12 rest of Canada is 55 per cent (i.e., their 100
13 has become 155)."
14

15 "10. Effect of Changes in Rate Structure on
16 Maritimes

17 The Maritimes case on railway rates was
18 put to us in very considerable detail. The
19 railway Commission is at the present time
20 dealing with these same details, and we have
21 not formed any opinion on these matters so far
22 as a judgment on their merits would involve
23 consideration of railway administration and
24 policy. On the broader question, however, of
25 the incidence of the existing rates as a whole
26 upon industry and employment in the Maritimes,
27 we have come very definitely to the conclusion
28 that the rate structure as it has been altered
29 since 1912 has placed upon the trade and com-
30 merce of the Maritime Provinces, (a) a burden



1
2 which, as we have read the pronouncements and
3 obligations undertaken at Confederation, it
4 was never intended it should bear, and (b) a
5 burden which is, in fact, responsible in very
6 considerable measure for depressing abnormally
7 in the Maritimes today business and enterprise
8 which had originated and developed before 1912
9 on the basis and faith of the rate structure
10 as it then stood."

11
12 "11. Recommendation On Freight Rates

13 We conceive this to be a position with
14 which -- quite apart from details of particular
15 rates -- it is our function to deal, and a
16 position which must be dealt with drastically
17 and promptly. We take this view the more
18 readily since the President of the Canadian
19 National Railways system did not dissent from
20 Sir Sanford Flemming's railway estimate that,
21 for strategic reasons the Intercolonial had
22 followed a course approximately 250 miles
23 greater than would have been followed had it
24 been built merely for commercial purposes. He
25 further explained that, owing to grades and
26 curvatures, the operating and maintenance ex-
27 penses of this branch of the railway were much
28 greater than the average of the rest of the
29 system, and, still further, that winter condi-
30 tions in the Maritime Provinces necessitated



1
2 special expenditure arising from snow and ice
3 conditions -- and consequent delays in traffic
4 transit -- much in excess of what were experi-
5 enced in other parts of the system. It is true
6 that the operation of the Atlantic Division has
7 shown an operating deficit in recent years in
8 spite of the higher rate structure (including
9 general war increases) that has been imposed on
10 it since 1912. But there are many considerations
11 to be taken into account in considering that
12 deficit. For our present purpose, it is more
13 material to notice that the President of the
14 Canadian National Railways admitted in evidence,
15 that in administering the Atlantic Division (the
16 greater portion of which is the old Intercolonial
17 system), no account is being taken in the rate
18 structure of today of the special considerations
19 which attach to it as revealed in the pledges
20 and pronouncements already referred to. We feel
21 that the increase arising from the changes that
22 have taken place in freight rates since 1912 --
23 over and above the general increase that has
24 taken place in other parts of the National
25 system--is as fair a measure as can be made of
26 these special considerations, and accordingly
27 should be transferred from the Maritimes to the
28 Dominion so that the original intention may be
29 observed.
30



1
2 We recommend, therefore, that an immediate
3 reduction of 20 per cent (so that 192 will be-
4 come approximately 155) be made on all rates
5 charged on traffic which both originates and
6 terminates at stations in the Atlantic Division
7 of the Canadian National Railways (including
8 export and import traffic, by sea, from and to
9 that division), and that the same reduction be
10 also applied to the Atlantic Division proportion
11 of the through rates on all traffic which
12 originates at stations in the Atlantic Division
13 (excluding import traffic by sea), and is
14 destined to points outside the Atlantic Division.

15
16 For this purpose, we cannot regard the
17 Atlantic Division as ending at Riviere du Loup
18 and Monk, which are its present western limits.
19 The divisional points should, in our view, be
20 Diamond Junction and Levis, Diamond Junction
21 being the point at which the Transcontinental
22 Railway meets the old Intercolonial Railway,
23 and Levis the point to which, in 1879, the
24 Intercolonial Railway was extended.

25 It might be contended that a flat rate
26 reduction of the amount we name, and in the
27 manner we name, is open to the objection, that
28 it does not restore the pre-1912 relativity of
29 rates within the Provinces themselves, and that
30 it is not an accurate assessment of the charges



1 that arise from the considerations in mind.
2
3 We do not believe -- and the Canadian National
4 Railways have informed us that they also do not
5 believe -- that any more accurate or equitable
6 result could be obtained by minute and scientific
7 investigation, which would, in any event, take
8 an indefinite time to conduct. The situation is
9 one that can only be dealt with in a broad
10 spirit, and one that for the economic welfare
11 of the Maritime must be met without delay. The
12 course we suggest has the effect of giving im-
13 mediate relief in a manner that is equitable as
14 well as broad. The cost of this relief should
15 be definitely borne by the Dominion Government,
16 who will make the necessary reimbursement to the
17 Canadian National Railways through the medium
18 of the Canadian National Railway Budget, without
19 impairing the financial results of the operation
20 of the system. We are not overlooking that the
21 other great railway system operating in the
22 area would be entitled to equitable considera-
23 tion if they find themselves prejudiced as a
24 result of the reduction proposed.

25 We think that this broad measuring, once
26 and for all, of these considerations has such
27 decided advantages that it should not be quali-
28 fied or delayed by minor criticism. It separ-
29 ates completely considerations of national
30 public policy from considerations of railway



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2 policy proper. It restores the original purpose
3 of the Intercolonial Railway as interpreted by
4 the freight structure prior to 1912, without
5 withdrawing it from the consolidated system
6 of National Railways, a step which we think
7 would be retrograde, and, in the end, very un-
8 satisfactory. The cost of the reduction is a
9 matter that can be measured definitely and con-
10 clusively for each financial period without any
11 complication or confusion to the financial
12 operations of the consolidated system -- a
13 feature that, in our view, is almost as impor-
14 tant as the avoidance of complication in the
15 practical operations of the system."

16 25. Following the Commission's Report in 1926
17 Parliament enacted the Maritime Freight Rates Act, imple-
18 menting almost in full the Commission's recommendations
19 respecting freight rates. Assented to on April 14, 1927,
20 the Act became effective on July 1, 1927. A copy of the
21 Act as currently in effect is contained in Appendix III.
22

23 26. The preamble of the Act summarizes the main
24 findings of the Duncan Commission and, because it was not
25 incorporated in the Revised Statutes, is reproduced here
26 in full so as to avoid any possible misunderstanding of
27 the purpose and intent of the Act.

28 "Whereas the Royal Commission on Maritime Claims
29 by its report, dated September 23rd, 1926, has, in
30 effect, advised that a balanced study of events and



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2 pronouncements prior to Confederation, and at its
3 consummation, and of the lower level of rates which
4 prevailed on the Intercolonial system prior to 1912,
5 has in its opinion, confirmed the representations
6 submitted to the Commission on behalf of the
7 Maritime Provinces, namely, that the Intercolonial
8 Railway, was designed, among other things, to give
9 to Canada in times of national and imperial need,
10 an outlet and inlet on the Atlantic Ocean, and to
11 afford to Maritime merchants, traders and manu-
12 facturers the larger market of the whole Canadian
13 people instead of the restricted market of the
14 Maritimes themselves, also that strategic considera-
15 tions determined a longer route than was actually
16 necessary, and therefore that to the extent that
17 commercial considerations were subordinated to
18 national, imperial and strategic conditions, the
19 cost of the railway should be borne by the Dominion,
20 and not by the traffic which might pass over the
21 line; And whereas the Commission has, in such re-
22 port, made certain recommendations respecting trans-
23 portation and freight rates, for the purpose of re-
24 moving a burden imposed upon the trade and commerce
25 of such Provinces since 1912, which, the Commission
26 finds, in view of the pronouncements and obligations
27 undertaken at Confederation, it was never intended
28 such commerce should bear; And whereas it is ex-
29 pedient that effect should be given to such recom-
30 mendations, in so far as it is reasonably possible



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2 so to do without disturbing unduly the general
3 rate structure in Canada: Therefore His Majesty,
4 by and with the advice and consent of the Senate
5 and House of Commons of Canada, enacts as follows:"

6
27. Certain important features and provisions of
7 the Maritime Freight Rates Act are as follows:

8 (1) The rates on the lines of the Canadian
9 National Railways east of Levis and Diamond
10 Junction, Quebec (the western terminus of the
11 Intercolonial Railway) designated as "Eastern
12 Lines" were to be reduced by approximately
13 20 per cent, effective July 1, 1927.

14 (2) A reduction of approximately 20 per cent was
15 to be made in the "Eastern Lines" proportion
16 of the through rates on traffic moving outward,
17 all rail from "select territory"

18 (Select territory may be defined for purposes
19 of the Maritime Freight Rates Act today as that
20 territory covered by the lines of railway loca-
21 ted in Canada East of Levis, Diamond Junction
22 and Boundary, P.Q., and South of the St.
23 Lawrence River).

24 to points outside "select territory".

25 (3) A reduction of approximately 20 per cent
26 was to be made from points in "select territory"
27 to ocean ports in that territory.

28 (4) The reductions were not to apply on the
29 following traffic movements:
30



- (a) traffic to or from the United States.
- (b) eastbound traffic originating west of
Levis and Diamond Junction.
- (c) import traffic from overseas points.
- (d) passenger or express movements.

28. Other important provisions of the Act are those contained in Section 6 and 7. The former stipulates that the reduced rates are to be considered statutory rates and as such "not based on any principle of fair return to the railway for service rendered in the carriage of traffic". Section 7 states that the purpose of the Act is to give "certain statutory advantages" in rates to persons and industries in "select territory". This section further directs that the Board shall neither approve nor allow any rates which might destroy or prejudicially affect such advantages in favour of persons or industries outside "select territory".

29. Finally, Section 3 of the Act affirmed that the rates reduced in conformity with the Act were to be maintained at the level of 20 per cent below the rates prior to July 1, 1927, so long as the cost of railway operation in Canada remained unchanged. In other words, the Board could permit changes in the rates in relation to changes in the rates in relation to changes in the cost of railway operations. This Section similarly provided for increases or decreases in the rates in line with new industrial or traffic conditions, always, however, in conformity with the intent of the Act -- maintenance of the



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statutory advantages for persons and industries in "select territory".

30. When Newfoundland joined Confederation in 1949, the area of "select territory" was enlarged and traffic movements within, to and from Newfoundland, in so far as they qualified as "preferred movements", were accorded the statutory benefits of the Maritime Freight Rates Act.

31. The year 1927 was also noteworthy in another respect as it marked the approximate year of birth of the intercity trucking industry. Though for the most part it was small scale and narrowly confined, by the early '30's the industry had caused considerable concern to the railways as evidenced by the introduction of a number of competitive rates in Central Canada to meet the competition and to arrest further attrition of railway traffic.

32. Maritime interests viewed this action on the part of the railways with alarm, seeing in it a potential threat to their competitive position in the central markets. Alleging that the reduced rates in question were contrary to Section 8 (now Section 7) of the Act (the Board shall neither approve nor allow any tariffs of tolls which might destroy or prejudicially affect the statutory advantages), a test case involving potatoes was brought before the Board of Transport Commissioners and eventually appealed to the Supreme Court of Canada.

(Maritime Board of Trade v. C.N.R., 44 C.R.C. 289; and Province of Nova Scotia et al. v. C.N.R. et al., 46 C.R.C.



1
2 33. Two important decisions resulted from this
3 case. The allegation on the part of the Maritimes that
4 the rates protested were contrary to the Act was vindica-
5 ted "if such tariffs prejudicially affect" the statutory
6 advantages; on the other hand, the Board stated that
7 competitive rates were discretionary with the railways
8 and that it had no power to adjust or revise the
9 statutory rates to reflect rate reductions made outside
10 "select territory". Of greater significance, however,
11 was the further observation of the Board that neither
12 harm nor prejudice to any person or industry in "select
13 territory" had, in fact, been proved and that cancellation
14 of the rates would only serve to divert the traffic to
15 the trucks. This brought to light a serious shortcoming
16 in the Act, namely, that the new conditions of competi-
17 tion in transportation had rendered the Act partially ob-
18 solete in terms of the original purpose and intent of the
19 Intercolonial Railway and that its value as a protector
20 of the statutory advantages for the Maritimes had been
21 lessened. The crux of the matter was succinctly stated
22 by Dr. A.W. Currie:

23 "The Act which had been framed to increase the
24 competitive power in Central Canada of Maritime
25 industry failed in its purpose because of the rise
26 of a new transportation agency."

27 (A.W. Currie: "Freight Rates and Regionalism", The
28 Canadian Journal of Economics and Political Science
29 1949, 14,4,433)
30



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2 34. From the passage of the Act in 1927 to the end
3 of World War II, there were no general increases in
4 freight rates. Immediately following the war, however,
5 with the removal of price and wage controls, the railways,
6 caught up in the inflationary spiral of increased labour
7 and material costs, applied to the Board of Transport
8 Commissioners for a general increase in freight rates of
9 30 per cent. Over the vigorous protests of the seven
10 provinces which opposed the application, in April, 1948,
11 the Board authorized a general increase of 21 per cent,
12 marking the first such general increase in over a quarter
13 of a century.

14
15 35. All the provinces, with the exception of Ontario
16 and Quebec, objected both as to the amount of the increase
17 and the way in which it had been applied. As a result,
18 Order-in-Council P.C. 6033, dated December 29, 1948,
19 directed the appointment of a Royal Commission on Trans-
20 portation to:

21 "Review and report upon the effect, if any,
22 of economic, geographic or other disadvantages
23 under which certain sections of Canada find them-
24 selves in relation to the various transportation
25 services therein, and recommend what measures
26 should be initiated in order that the national
27 transporation policy may best serve the general
28 economic well-being of all Canada."

29 36. After extensive hearings, the Commission
30 brought down its Report in February, 1951. With respect



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2 to the general area of its investigation, the Commission
3 reported:

4 "All these provinces ask for lower freight rates
5 although they suggest different methods of approach
6 to this objective ...

7 Whatever the method of approach may be, however,
8 it is in each case an attempt by shippers and con-
9 signees to secure relief from the disadvantages at-
10 tributed to increases in rates by the horizontal
11 percentage method, and at the same time to retain
12 any existing advantages in rates which they now
13 enjoy. The Maritime Provinces wish to retain the
14 advantages of the Maritime Freight Rates Act and
15 the Prairie Provinces wish to retain the Crowsnest
16 Pass Rates on grain and flour. British Columbia
17 asks for continuance of the transcontinental
18 rates." (pp. 45-46)
19

20 37. Concerning the transportation difficulties of
21 the Atlantic Provinces the Commission observed:

22 "At Confederation they were promised access to the
23 Central Canadian Market. Today, in view of the
24 deterioration in foreign trade, particularly be-
25 cause of monetary and commercial restrictions,
26 access to the Central Canadian market has become
27 more important than ever. Isolation of the
28 Maritimes from the Central Canadian area as a re-
29 sult of distance and increased freight charges is
30 one of the central themes put forward in their case"
(p. 27)



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2 38. And quoting a witness for the Transportation
3 Commission of the Maritime Board of Trade:

4 "The general tenor of the evidence of the Maritime
5 approach ... is that the changes which have taken
6 place since the Maritime Freight Rates Act became
7 effective in 1927 are having the effect of enhancing
8 the difficulty of Maritime producers in reaching the
9 highly competitive markets of Central Canada in
10 competition with industries located closer to the
11 markets." (p.27)

12
13 39. The changes referred to were principally two
14 in number; (1) the adverse effects of the growth of
15 truck competition on the competitive position of Maritime
16 industry in the central markets, and (2) the horizontal
17 method of applying post-war freight rate increases.

18 40. With respect to the growth of truck competition
19 in the Central markets, the position taken by the
20 Maritimes was essentially the same as that argued in the
21 Potato Case, namely that competitive rate reductions tend
22 to destroy the benefits intended by the Act for Maritime
23 industries in the Central markets by disrupting established
24 rate relationships. Accordingly, the following amendment
25 to Section 7 (then Section 8) was suggested to update the
26 Act:

27 (Quoted in Report of the Royal Commission on Transporta-
28 tion, 1951, p. 231)

29 "The purpose of this Act is to give certain statutory
30 advantages in rates to persons and industries in the



1
2 three provinces of New Brunswick, Nova Scotia,
3 and Prince Edward Island, and in addition upon
4 the lines in the Province of Quebec mentioned in
5 Section 2, together hereinafter called "select
6 territory", and the Board is authorized and directed
7 to adjust or vary tolls or rates subject to the Act
8 from time to time as, may, in the opinion of the
9 Board, be necessary to maintain the said statutory
10 advantages in rates when there have been reductions
11 in tolls or rates elsewhere than in such "select
12 territory." (Revision underlined)

13 41. The Commission denied the requested revision,
14 reasoning that:

15 "(1) It would ensure to the Maritimes all the com-
16 petitive rates regardless of whether or not
17 there was competition for the railways in select
18 territory, and would thus confer an additional
19 advantage to persons and industries not intended
20 by the Act, and

21 (2) it would be contrary to the rate-making principle
22 that competitive rates are in the discretion of
23 the railways and are put in force to preserve
24 at least some of the traffic to the railways."

25 (p. 234)

26
27 42. While there can be no quarrel with the fact that the
28 suggested revision would confer an additional advantage
29 on the Maritimes, the statement by the Commission "not in-
30 tended by the Act" is open to question. In the first



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2 place the Preamble of the Act quoted above states that
3 the recommendations of the Duncan Commission regarding
4 freight rates were based on the promises made at Con-
5 federation with respect to the construction and operation
6 of the Intercolonial Railway; the 'intent' of the Act,
7 therefore, is explicitly clear: "to afford the Maritime
8 merchants, traders and manufacturers the larger market
9 of the whole Canadian people".

10 43. In the second place, the Supreme Court judgment in
11 the Potato Case confirmed the view that competitive rate
12 reductions in Central Canada violated the Act if harm
13 or prejudice were proved to any person or industry in
14 "select territory", the inference being that if proved,
15 such rates would be disallowed in order to protect the
16 statutory advantages 'intended' by the Act.

17
18 44. The commission seemingly did not appreciate the
19 fact that, as so aptly stated by Dr. Currie, the Act
20 "failed in its purpose because of the rise of a new
21 transportation agency". This was, and still is, the
22 crux of the problem. The whole question of competition
23 in transportation will be discussed in the following
24 chapter. Before leaving this particular matter however,
25 it is interesting to note how the Commission dealt with
26 a somewhat similar situation in Western Canada.

27 45. The Province of Alberta complained to the Commission
28 of an anomaly involving certain rates from Eastern Canada
29 to Alberta and other 'intermediate points' which were
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2 higher than rates on similar goods moving to points on
3 the Pacific coast. The rates in question were, of
4 course, transcontinental rates established by the rail-
5 ways to meet competition from water carriers as well as
6 from American railways on the Coast. Alberta's complaint
7 was based on the 'reasonableness' of the rates to inter-
8 mediate territory in comparison with the rates to the
9 coast, alleging that the spread between the two was so
10 great as to constitute unjust discrimination.

11 46. The Commission received the complaint as
12 follows:

13 "As long as the competition exists, the railways
14 should be permitted to meet it. But when meeting
15 the competition creates anomalies of the character
16 indicated above ... it is desirable that a solution
17 be found which will enable the railways to meet the
18 competition and at the same time eliminate, at
19 least to a substantial degree, the anomalies
20 created." (p. 100)

21
22 47. The commission, therefore, recommended:

23 "The influence of any transcontinental rate from
24 the East to the British Columbia Coast should be
25 carried back in the rates to the intermediate
26 provinces ... on a basis not more than one-third
27 greater than the transcontinental rate to the sea
28 coast." (p. 100)

29 48. Apart entirely from the formula suggested, the
30



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2 Commission not only took cognizance of the fact that
3 competition, though not in Alberta, was having an ad-
4 verse effect on Alberta, but in justifying its recom-
5 mendation on the basis that "it recognizes the influence
6 on Alberta of Intercoastal competition", actually 'carried
7 back' the benefits of competition to an area where it was
8 non-existent.

9 49. It thus appears that the Commission acted inde-
10 pendently in dealing with what it is difficult to re-
11 cognize as anything but similar problems involving the
12 effects of competition on an area where it was lacking,
13 recognizing its beneficial effects in the case of Alberta
14 while denying them to the Maritimes. While there are
15 differences in the two cases, the principle is surely
16 identical.

17
18 50. With respect to the other main suggestion put
19 forward by the Maritimes to the effect that changes were
20 necessary in the Railway Act to allow the Board of
21 Transport Commissioners greater freedom and scope in
22 dealing with the effects of horizontal freight rate in-
23 creases on regions like the Maritimes, the Commission
24 disagreed. It held that the Board already possessed
25 sufficient power under the Act to deal with the problem,
26 but that due to the nature of postwar rate increases
27 sought by the railways, coupled with the lack of statis-
28 tical data to enable the Board to deal with them effec-
29 tively, it had been precluded from utilizing them.



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2 51. Although the Commission did place the full
3 responsibility on the railways of mitigating the effects
4 of horizontal increases, adding that "it ought to be the
5 duty of the Board to see that they do so", in the light
6 of experience since that time it does not appear that the
7 railways have been disposed to accept their responsibility
8 in this matter. The reason for this, of course, is that
9 rate increases are predicated on the basis of the revenue
10 needs of the railways. The problem, if anything, has in-
11 creased since the time of the Turgeon Commission in-
12 vestigation due to intensified competition in transporta-
13 tion and the consequent inability of the railways to
14 apply authorized increases to large segments of traffic.
15 The railways have felt that they had simply no alternative
16 but to secure as large a portion of their revenue needs
17 wherever possible and by whatever means most suited to
18 doing so.

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CHAPTER II

THE MARITIME FREIGHT RATES ACT TODAY

52. The commercial purpose bearing on the construction and operation of the Intercolonial Railway was to afford Maritime industry access to the whole Canadian market, to paraphrase the Duncan Commission. In furtherance of this purpose a policy of similar but lower rates was adopted for traffic movements over the Intercolonial Railway, a policy accorded statutory recognition in 1927, by the enactment of the Maritime Freight Rates Act.

53. It follows, therefore, that any assessment of the Maritime Freight Rates Act today must be concerned with the Act in relation to original government policy regarding rates on the Intercolonial on which it is based, i.e., the purpose of the Intercolonial Railway. The pertinent question to be discussed in this Chapter is, therefore: How effective is the Maritime Freight Rates Act today in following the purpose of the Intercolonial Railway?

54. In the course of the hearings of the Turgeon Commission the Maritimes stated that certain developments in transportation were tending to whittle away the benefits intended by the Act and that changes were necessary to restore the original purpose of the Act. One of the changes suggested has already been thoroughly dealt with; the other principal suggestion was that the percentage reduction from the normal tolls allowed under the Act should be increased or, what amounts to the same thing,



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that the distance for which the deductions apply should be extended westwards.

55. The Commission apparently did not consider the latter suggestion well-founded as it considered the basic purpose of the reduction prescribed by the Act to be as follows:

"The object of the calculation which led to the adoption of the 20% reduction in rates was to restore the advantages of the rates, lower than those in force in the other parts of Canada, which the Maritimes had enjoyed prior to 1912."
(p. 234)

"A change in the 20% reduction would be an unwise departure from the theory employed by the Duncan Commission in arriving at the remedy it proposed." (p. 234)

56. The Commission, in short, refused to consider either of the suggested changes in the Act, reasoning as follows:

"The Act was designed to meet a peculiar set of circumstances and should in the language of the Duncan Report be regarded as a broad measure "once and for all" to fulfill the pre-Confederation promises, and it has performed and continues to perform the functions for which it was designed. Only under the most imperative conditions should it be extended or altered." (p. 236)



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2 57. From these findings of the Commission it is
3 difficult to avoid the conclusion that the Commission
4 either failed to appreciate the real purpose of the Act
5 or, alternatively, that it overlooked completely the
6 findings on which the recommendations of the Duncan
7 Commission were based which directly resulted in the
8 passage of the Act in 1927. Thus the Commission states,
9 and correctly, that the object of the 20% reduction "was
10 to restore the advantages of the rates ... which the Mari-
11 times had enjoyed prior to 1912" but goes no further in
12 rejecting the request. Similarly, it considers a departure
13 from the 20% reduction "unwise", basing its opinion on the
14 calculation used by the Duncan Commission in arriving at
15 such a figure, which, again, is only incidental to why the
16 Duncan Commission proposed a reduction at all.

17
18 58. And finally, the last statement of the Commission
19 regarding the design of the Act appears to support the
20 contention that the Commissioners failed to appreciate the
21 real purpose of the Act. The "peculiar set of circumstances"
22 referred to was obviously the 'levelling-up' of intercol-
23 onial rates after 1912, since the main feature of the Act
24 is the reduction in rates which it prescribes. Thus it
25 would appear that the Commission, in stating that the Act
26 "has performed and continues to perform the functions for
27 which it was designed", was referring specifically to the
28 percentage reduction as such rather than the reason why a
29 reduction was considered necessary in the first place.

30 59. The foregoing is not intended in any way to re-



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2 flect upon the judgment of the Turgeon Commission in re-
3 fusing to recommend any of the suggested changes in the
4 Act but merely to point out that its reasons for doing so
5 would appear to be based on the fact that it interpreted
6 the purpose of the Act to be the actual percentage reduc-
7 tion resulting from the theory employed by the Duncan
8 Commission rather than the reason why the Duncan Commission
9 proposed a reduction at all, i.e., the real purpose of the
10 Act which was to restore the purpose of the Intercolonial
11 Railway.

12
13 60. Up to the time of the Turgeon Commission Report
14 in 1951, there had been four general increases in freight
15 rates: an increase of 21% in 1948; a further increase of
16 8% in 1949; an increase changing this to 16% in 1950; and
17 a further increase of 4% changing this to 20% in 1950.
18 Cumulatively these increases represented a rise of approx-
19 imately 45% over the level of rates in effect prior to
20 April 8, 1948.

21 61. Following the Commission's Report, the trend of
22 freight rate increases continued until, by 1956, the
23 cumulative increase over April 7, 1948, aggregated approx-
24 imately 98 per cent. It follows therefore, that to the
25 extent that the Commission failed to recommend anything
26 in the way of mitigating the effects of these increases on
27 the Atlantic Provinces, the constant 'whittling away' of
28 the benefits of the Maritime Freight Rates Act continued
29 unchanged, worsening the competitive position of Maritime
30 industry in the Central markets.



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2 62. This constant attrition of the benefits of the
3 Maritime Freight Rates Act was the subject of a special
4 submission by the Maritimes Transportation Commission to
5 the Royal Commission on Canada's Economic Prospects in
6 1956.

7 63. The Preliminary Report of the Commission, issued
8 in December 1956, dealt quite thoroughly with the transport-
9 ation problems of the Atlantic Provinces noting that "the
10 transportation facilities of the Atlantic Region are in
11 need of improvement". Of greater significance, however,
12 was the suggestion, confirmed in the Final Report of the
13 Commission, that the whole question of transportation in
14 the Atlantic Provinces should be examined carefully, in-
15 cluding a "re-examination of the present effects of the
16 Maritime Freight Rates Act".

17 (Royal Commission on Canada's Economic Prospects: Final
18 Report (1957), p. 408; Preliminary Report (1956), p. 101)
19

20 64. The Government acted almost immediately upon the
21 Commission's suggestions when, on March 14, 1957, the
22 Minister of Finance announced in the course of the Budget
23 address:

24 "One of the matters discussed in the Gordon
25 Report is the handicap which the Atlantic
26 Provinces have to contend with due to difficul-
27 ties of transportation, and to post-war in-
28 creases in railway freight rates. A good deal
29 has been done in recent years in an effort to
30 offset the higher costs of marketing the products



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2 of the Atlantic region caused by the long dis-
3 tances between the region and its markets in
4 other parts of Canada, and to improve the means
5 of communication within the region itself, For
6 example, we have paid more in freight subventions
7 so as to facilitate a greater movement of
8 Maritime coal to Central Canada, and to enable
9 Maritime agriculture to obtain cheaper supplies
10 of Western feed grains. We have also spent sub-
11 stantial amounts for the improvement of shipping
12 services and to meet the deficits incurred in
13 coastal shipping.

14 In the view of the government we should now
15 undertake a fresh and comprehensive examination
16 of the entire transportation situation of the
17 Atlantic Provinces in order to determine what
18 changes could contribute towards the economic
19 welfare of the region. Among other questions,
20 we should consider how best to supplement or
21 improve some of the present means of transport
22 in order to improve the transportation system
23 generally. In this way it might be possible for
24 the Atlantic region to get more value from the
25 present level of federal expenditures in this
26 field and from any increased funds that might
27 become available ...

28 In the meantime there is one matter on which
29 it is possible to act immediately. I refer to
30 the special difficulties of the Atlantic



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2 Provinces caused by the various horizontal in-
3 creases in railway freight rates over the last
4 decade. These increases have fallen rather more
5 heavily on the traffic moving from the Atlantic
6 region to Central Canada than on rail movements
7 within the Central Provinces. As a consequence
8 the competitive position of Maritime products
9 in the Montreal area and points west has been
10 adversely affected.

11 A study of the average increase in freight
12 rates since 1947 on this traffic, as compared
13 with the increase in the rest of Canada, shows
14 that an increase in the subvention paid under
15 the Maritime Freight Rates Act is justified.
16 That is, an increase in the subvention from its
17 present 20 per cent level to a level of 30 per
18 cent in the case of outbound traffic will res-
19 tore these rates to the position they occupied
20 in relation to other Canadian rates at the end
21 of World War II.

22 It is proposed therefore to provide for this
23 increased rate of subvention. The additional
24 actual cost to the treasury will be about \$2
25 million. Of course, a change of this kind will
26 only go part way towards meeting the transporta-
27 tion problems of the Atlantic Provinces. Before
28 making further proposals however we must first
29 of all determine the most essential transporta-
30 tion needs of the region in the light of develop-



ments over the past decade or more."

(Debates of the House of Commons, March 14, 1957, Vol. 100, No. 48, pp. 2219-2220)

65. Though the Gordon Commission was not primarily concerned with transportation as such, it was nevertheless the first Royal Commission to recognize that the Maritime Freight Rates Act was failing in its purpose.

66. The increase authorized in the percentage reduction on outbound traffic of 50 per cent was intended "to restore these rates to the position they occupied in relation to other Canadian rates at the end of World War II". It does not appear to have accomplished this purpose, because it had the effect only of offsetting by and large the general increase in freight rates of 11 percent granted earlier in the year. This is evident from Appendix V to this submission.

67. As noted by the Minister in the Budget Speech, the increase in the Maritime Freight Rates Act subsidy was intended to offset the effect of horizontal increases on the Atlantic Provinces. Horizontal increases, however, are only a part of the problem inasmuch as any study of the average increase in freight rate between the Maritimes and the rest of Canada must reflect not only the effect of horizontal increases but also the degree of competition on Atlantic Provinces traffic and that of the rest of Canada. This, of course, is a problem which is not only peculiar to the Maritimes, but to the whole country. The



1
2 growth of competition in transportation has brought about
3 far-reaching changes, particularly as it has affected the
4 freight rate structure and this, in turn, has affected
5 regional economies like the Atlantic Provinces. A few
6 words of explanation will make this clear.

7 68. During the past twenty-five years, a virtual
8 revolution has occurred in transportation in Canada.
9 Whereas until relatively recently the railways were the
10 dominant mode of transport, today their position in both
11 the freight and passenger fields is being challenged by
12 a number of new carriers.

13
14 69. The most significant new carrier, both in terms
15 of its rapid growth in such a short period of time, as
16 well as its effects on the railways, has been the motor
17 truck. Today intercity trucking ranks as a major competitor
18 of the railways, accounting in 1957 for 45.7 per cent of
19 the total freight market in Canada, as measured in ton
20 miles, compared to an estimated 38.7 per cent in 1942.
21 During the same period railway ton miles declined from
22 46.2 per cent of the total intercity traffic in 1942 to
23 30.7 per cent.

24 (G.A. Gagdin: "Statistics and the Study of Road Transport"
25 (September 1959), Table 6)

26 70. It is interesting to note in passing that at the
27 present time trucking operations are a growing part of the
28 freight service offered by many railways, one of Canada's
29 major railways being the largest truck operator in the
30 country. This is a far cry indeed from the situation a



few years ago when truck services were viewed as feeders to the railways.

71. The significance of the growth of the intercity trucking industry, however, so far as this submission is concerned, lies not in the physical aspects of its growth but rather in the effect it has had on the freight rate structure.

72. The origin of the early pricing structure of the railways was first described in Lardner's "Railway Economy" later modified by other transport economists, as 'maxima being fixed by what the traffic would bear' and 'minima by the direct cost of movement'.

(D. Lardner: "Railway Economy, A Treatise on the New Art of Transport", (1850)

In terms of economic theory this is monopoly pricing directed towards maximizing profits. In practice, such a pricing structure is reflected in high rates on goods of high value, i.e., processed goods in which the cost of transport is a smaller part of the final selling price, and rates on lower valued goods tending towards their actual cost of transport. Hence, the 'value-of-service' principle in railway pricing policy operating through internal subsidization.

73. This pricing policy served well both the interests of the country at large and the railways by enabling much of the country's low-valued production to move cheaply and conveniently, while at the same time meeting the financial requirements of the railways. Inasmuch,



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however, as such a pricing policy reflects a monopoly position, its effective functioning is equally dependent upon the maintenance of that monopoly position. Upon loss of or intrusion upon such a position a differential price structure, though not necessarily destroyed, is seriously undermined.

74. For many years no circumstances of sufficient magnitude arose to challenge the railway's pricing structure. This, of course, was when the railways enjoyed a virtual monopoly of transportation in this country. Today the situation is changed; competition is pervasive throughout almost the entire field of transportation and to a large extent has eliminated the monopoly element which characterized this segment of the economy only a few short years ago.

75. As noted earlier, the effects of truck competition first became evident during the early Thirties when the railways were forced to adjust their rates to meet the competition. The story since then is a familiar one. Inherently suited to transporting precisely the kind of traffic on which the railways relied for much of their revenue, trucks captured large segments of railway traffic simply by working under the 'umbrella' of the rate structure, either by undercutting rail rates or by meeting them and providing superior service. As the motor carrier industry developed and expanded, there was a substantial and continuing diversion of the high-rated traffic from the railways with a concomitant debilitating effect



1
2 on railway revenues.

3 76. In practice this has meant that with more and
4 more of the higher rated traffic moving by truck, the
5 railways were left to handle a composite in which this
6 higher-rated traffic represents a constantly decreasing
7 proportion of the total. While in absolute terms the
8 railways continue to increase their freight ton miles,
9 more and more of them are made up of lower valued traffic
10 which the trucks either are not interested in carrying or
11 which they are not suited to handle. In short, the
12 railways are carrying more iron ore, but less finished steel
13 more grain but fewer cereals; more tin cans but fewer
14 canned goods.

15
16 77. The significance of this development lies not in
17 the fact that the trucking industry has grown largely at
18 the expense of the railways, nor even perhaps that traffic
19 is now tending to move more in line with the type of
20 transport best suited to its carriage; rather the true
21 significance of this concerns the way in which it has
22 affected the rate structure and how this in turn has
23 affected outlying regional economies like the Atlantic
24 provinces.

25 78. As stated by Dr. H.F. Angus, a member of the
26 Royal Commission in 1951, in a special addendum to its
27 Report:

28 "At the present time a substantial change is
29 taking place in the Canadian rate structure.
30



As in other countries, trucks ... have deprived the railways of much of the revenues which they had previously derived from the carriage of commodities of relatively high value for relatively short distances. The loss of revenue had to be made good from traffic which is not vulnerable to truck competition and, therefore, principally from the carriage of relatively low valued commodities for relatively long distances. In Canada, more perhaps than elsewhere, the result has been to impose a serious burden on the economies of outlying regions ..." (p. 287)

79. This is perhaps nowhere more true than in the case of the Atlantic Provinces. Since the time of the Turgeon Commission Report there have been five additional general increases in freight rates with a further increase pending at the present time. As the following table shows, the authorized cumulative increase since 1951 exceeds 75 per cent, the overall increase since 1948, 157 per cent.

TABLE 2

CUMULATIVE POST-WAR FREIGHT RATE INCREASE IN CANADA

Percentage Increase Authorized	Date of Increase	Cum. Incr. Over 1948	Cum. Incr. Over 1951
21%	Apr. 8, 1948	21.00	
8% Interim	Oct. 11, 1949	30.68	
16% Interim	Mar. 23, 1950	40.36	
20%	June 16, 1950	45.20	
12% Interim	July 26, 1951	62.62	12.00
17%	Feb. 11, 1952	69.88	17.00
9%	Jan. 1, 1953	85.17	27.53
7%	Mar. 16, 1953	98.13	36.46
7% Interim	July 3, 1956	112.00	46.01



<u>Percentage</u> <u>Increase Authorized</u>	<u>Date of</u> <u>Increase</u>	<u>Cum. Incr.</u> <u>Over 1948</u>	<u>Cum. Incr.</u> <u>Over 1951</u>
11%	Jan. 1, 1957	119.92	51.47
17%	Dec. 1, 1958	157.30	77.22

80. As noted by Dr. Angus, due to the changed nature of the freight rate structure, the railways have shifted to a regional pattern of cross-subsidization in the practical application of their pricing policy, a policy that has adversely affected regional economies like the Maritimes in a number of ways.

81. In the first place, to the extent that competition in transportation is much greater today than it was even a few years ago, particularly in the central markets, the railways have been prevented from applying the full amount of the authorized increases to large portions of their traffic for fear of losing it to their competitors. Accordingly, in many instances they have been unable to apply any increases at all, and only partial increases on much of the remaining traffic.

82. Conversely, their inability to earn as much revenue in highly competitive areas as formerly, due to competition, has been reflected in attempts to earn a greater share in areas where competition is absent or at least, not as well developed. The Atlantic Provinces are such an area.

83. In the second place not only have regions like the Maritimes been burdened with a greater incidence of post-war increases in freight rates, but the burden has been made that much more onerous taking into account (a)



1
2 the traffic which has had to support the increases and
3 (b) the horizontal or uniform method in which they have
4 been applied. Appendix IV shows that most of the traffic
5 within, to and from the Atlantic Provinces moves on non-
6 competitive class and commodity rates, traffic in short,
7 which is largely tied to rail movement and hence, has
8 been particularly hard hit by the series of post-war
9 horizontal freight rate increases.

10 84. So far as the Maritime Freight Rates Act is
11 concerned, Appendix V strikingly points out the very
12 serious erosion which has occurred in the advantages
13 formerly enjoyed by Atlantic producers and manufacturers
14 in the Central markets, advantages which, at best,
15 have been substantially reduced, or at worst, lost
16 completely or even become disadvantages. It is thus
17 clear that not only has it been possible for Central
18 Canadian traffic to escape from the full impact of post-
19 war increases, but an important segment of this traffic
20 has experienced no increase at all. To paraphrase the
21 views of this Commission before the Royal Commission on
22 Canada's Economic Prospects, it is difficult to avoid
23 the conclusion that the advantages which the Atlantic
24 Provinces were meant to have under the Maritime Freight
25 Rates Act have been vitiated to an outstanding extent.

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27 85. A final consideration bearing on the changed
28 nature of the freight rate structure concerns certain
29 'internal' changes which have resulted directly from the
30 growth of competition in transportation. By internal



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changes is meant attempts by the railways to adapt their pricing structure to the new conditions of competition.

86. Principal among these internal changes has been the phenomenal growth of agreed charges made by the railways in recent years, especially since 1955 when, as a result of a change in the Transport Act, the railways were permitted to make freer use of agreed charges. Agreed Charges are simply lower-than-normal rates mutually agreed upon between a shipper and the railways, the pertinent conditions of the contract being the shipment by rail of a specified percentage of a shipper's total annual traffic volume in return for a favourable rate. While these rates are usually lower-than-normal rates, since they are designed to meet actual or potential competition, they are not necessarily, as is often alleged, "bargain-basement" rates.

87. Agreed Charges, like competitive rates, are, of course, ready indicators of the existence of actual or potential competition for the traffic they cover. The growth of Agreed Charges in the more recent past may, therefore, be taken as clear evidence that competition is increasing. (It should be pointed out that a number of Agreed Charges have been issued to meet market rather than carrier competition, e.g. the competition of imports with Canadian goods at the West Coast.)

88. While Agreed Charges account for a lower per-



centage by revenue and tonnage of Atlantic Provinces traffic when compared to the traffic of other Regions (See appendix IV) there is no doubt that they have been run to play an important part in the movement of traffic of interest to the Maritime Rate Territory.

89. The mere showing of the growth of Agreed Charges in terms of numbers, tonnages or revenue, does not, however, indicate important qualitative differences which may exist in these Agreements. To the extent that such qualitative differences are present, they portray variations in the intensity of competition.

90. Like other contracts, Agreed Charges, in the final analysis, reflect the relative strengths of the contractual parties. It is obvious that a shipper of a volume of traffic of interest to the railways will obtain a better Agreed Charge, if he can show that alternate means of transport readily offer low rates and good service. Marginal competition, on the other hand, while it may still bring about an Agreed Charge, tends to weaken the shipper's ability to obtain the most favourable terms.

91. Among the indicators of the "quality" or strength of an Agreed Charge are (1) the level of the rates; (2) the percentage which the shipper pledges to move under the agreement; (3) the carload minimum weight; and (4) the degree of subjection of the rates to general rate increases which may be authorized by the Board.



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2 92. It is the last of these which offers a particu-
3 larly convenient way of gauging the strength of an
4 Agreed Charge today.

5 93. It is the natural desire of the railways to in-
6 crease as many rates as possible every time the Board
7 authorizes a general advance in rates. Contractual rates,
8 however, cannot be raised, unless the contract so provides.
9 None of the early Agreements contained a provision which
10 would have allowed the railways to subject them to
11 general rate increases.
12

13 94. Effective with Agreed Charge No. 107 on
14 October 13, 1955, the carriers made efforts to use the
15 so-called "Escalator Clause" which, in its original form
16 read as follows: "If any general increase in freight
17 rates be ordered by the Board of Transport Commissioners
18 for Canada, the Agreed Charge set out in paragraph 'D'
19 of this agreement shall be increased in the same propor-
20 tion and on the same effective date as the said general
21 increase".

22 95. This type of "Escalator Clause" appears not to
23 have been too successful and relatively few Agreed Charges
24 contained it. It has now been virtually replaced by the
25 so-called "Deferred Escalator Clause" which appeared first
26 in Agreed Charge No. 477 effective September 17, 1958:
27 "If any general increase in freight rates be ordered by
28 the Board of Transport Commissioners for Canada, the Agreed
29 Charges set out in paragraph 'D' of this Agreement shall
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2 be increased in the same proportion, except that no in-
3 crease shall be made until the Agreement has been in
4 effect for a period of one year." (Emphasis supplied)

5 96. The "Deferred Escalator Clause" appears to
6 have been accepted more readily by shippers than the
7 original clause and the vast majority of Agreed Charges
8 written now contain it. If, therefore, an Agreed Charge
9 is concluded today which is not subject to the "Deferred
10 Escalator Clause", it is an exception to the general rule.
11

12 97. There is little doubt that the railways make
13 such an exception only for compelling reasons and that
14 the existence of this exception is ready evidence of the
15 strength of the shipper's position during the negotiations
16 leading to the signing of the Agreement. There can be no
17 doubt that the shipper in such cases derives this
18 strength from his and the railways' knowledge of the ex-
19 istence of extremely strong and suitable alternate com-
20 petition for the traffic. Conversely, the inclusion of
21 an "Escalator Clause" can be taken to indicate a lesser
22 strength of competitive forces. The presence or absence
23 of "Escalator Clauses" in Agreed Charges can be used,
24 therefore, as ready indicators of the quality or strength
25 of competition for a given movement.

26 98. With these considerations in mind, the
27 Maritimes Transportation Commission examined all Agreed
28 Charges which have become effective between September 17,
29 1958, the effective date of Agreed Charge No. 477, and
30



Agreed Charge No. 1021 which became effective on July 31, 1960. This period includes the time during which the railways were seeking before the Board of Transport Commissioners a 19% increase and the 20 months following the granting of a 17% general increase in freight rates. The period under review, therefore, can be assumed to be one during which the carriers would have made the utmost effort to maximize their revenues.

99. Between Agreed Charge No. 477, effective September 17, 1958 and Agreed Charge No. 1021, effective July 31, 1960, the railways published a total of 545 Agreed Charges. A breakdown was made of these Agreements to show which apply on traffic from, to and within the Atlantic Provinces and those applying on other Canadian traffic. A further breakdown was then made to determine the number of Agreements not containing any "Escalator Clause" in either or these two categories of movements.

100. The results of this investigation can be re-presented in tabular form as follows:

	Applicable to Atlantic Provinces*	Applicable to Canada, other than Atlantic Provinces*
Number of Agreed Charges		
Published	101	444
Number Without "Escalator Clause"	16	111
Per Cent Without "Escalator Clause"	15.8	25.0

* From, To and Within the Atlantic Provinces

101. In the face of these figures the conclusion is inescapable that Atlantic Provinces traffic, while it may show an increase in the number of Agreed Charges which



1
2 apply to it, has considerably less competitive strength
3 than traffic in other parts of Canada. A mere showing
4 of the rising number of Agreed Charges or of the increase
5 in the tonnages moving under them does not yield suffic-
6 ient proof of the pervasiness of competition in the case
7 of Atlantic Provinces traffic. It is apparent from the
8 table set out above that, in the case even of Agreed
9 Charges, Atlantic Provinces traffic escapes the impact of
10 general rate increases to a considerably lesser degree
11 than other Canadian traffic.

12 102. Much the same situation prevails with regard
13 to competitive rates. It is patent that the railways
14 cannot impose a general rate increase authorized by the
15 Board on rates which cover intensely competitive hauls.
16 Were they to raise the rates on such hauls by the full
17 amount of the increase, they would lose the traffic. In
18 a number of cases, however, it is possible for the
19 carriers to raise competitive rates by less than the full
20 increase imposed on, for instance, class-rated traffic.
21 In yet other cases, the railways find that they must
22 actually decrease rates below the level of rates pre-
23 vailing prior to the general rate advance in order to
24 hold the traffic.

25
26 103. What has been aptly described as "attrition"
27 of traffic makes it impossible now for the carriers to
28 realize the full mathematical yield of any given general
29 rate increase. During the hearings on the application
30 of the railways for a 19 per cent increase before the



1
2 Board of Transport Commissioners in October 1958, both
3 Canadian Pacific and Canadian National stated that competi-
4 tive traffic would be subject to an attrition factor of
5 50 per cent. In other words only 50 per cent of the
6 mathematical yield from the requested 19 per cent rate
7 advance would be realized from competitive rates.

8
9 104. In the words of Mr. C.D. Edsforth, then General
10 Traffic Manager, now Vice-President, Traffic, Canadian
11 Pacific Railway Company: "Growing improvement in roads
12 particularly in Western Canada and in the Maritimes is
13 extending the scope of truck competition. This fact,
14 together with the general economic climate at present,
15 and as it is anticipated for 1959, is the basis for an
16 attrition factor of 50% in competitive traffic ..."

17 (Board of Transport Commissioners for Canada: Verbatim
18 Report, 19% Interim Increase in Freight Rates, Volume
19 1029 (October 7, 1958) p. 8287).

20 105. In order to check whether, indeed, competitive
21 rates on traffic of interest to the Atlantic Provinces
22 were able to resist the imposition of general rate increases
23 as effectively as competitive rates elsewhere in Canada,
24 the Maritimes Transportation Commission undertook a study
25 of competitive rate adjustments immediately following
26 the 17 per cent general rate increase which became effec-
27 tive on December 1, 1958.

28
29 106. It was felt that such a study would show to what
30 extent, if any, there were "qualitative" differences be-
tween competitive rates in Canada. Thus, an indication



1
2 would be obtained of the strength of competition to the
3 railways in the various regions of the country.

4 107. Although it was realized from the beginning
5 that no such study could, with the data available to
6 the Maritimes Transportation Commission, yield precisely
7 measurable results, it was felt, nevertheless, that these
8 results would give at least a rough measure of differences
9 in the strength of competition.
10

11 108. The technique used was a detailed analysis of
12 competitive rate adjustments on hand of the three
13 Canadian National Railways tariffs containing competitive
14 rates on various commodities in Canada.

15 (Because of the work involved, comparable C.P.R. tariffs
16 were not analyzed. It may be confidently stated, however,
17 that the results would have been similar for the traffic
18 covered by these tariffs.)

19 (a) C.N. Rys. No. W. 950 (C.T.C. No. W. 2303) applying
20 between stations in the Western Region;

21 (Western, Eastern and Maritime Regions are as defined in
22 the Waybill Analysis, 1958, issued by the Board of
23 Transport Commissioners.)

24 109. A careful record was kept of every adjustment
25 in the competitive rates contained in the above tariffs
26 which was made during the 12 months following the im-
27 position of the 17 per cent general rate increase on
28 December 1, 1958. The results of this study are contained
29 in Appendices VI to VIII to this submission.
30



110. Appendix VI sets out those competitive rates which on November 30, 1959, were less than 17 per cent higher than the rates in effect on November 30, 1958.

111. Appendix VII shows those competitive rates which on November 30, 1959, were the same as the rates in effect on November 30, 1958.

112. Appendix VIII lists those competitive rates which on November 30, 1959, were lower than the rates in effect on November 30, 1958.

113. Each of these three appendices contains separate parts which show the pertinent information for movements within or between the several rate territories across Canada. These parts are as follows:

Part A: Maritime to Maritime

Part B: Maritime to Eastern

Part C: Eastern to Maritime

Part D: Eastern to Eastern

Part E: Western to Western

114: Appendices VI to VIII are, in the respectful submission of the Maritimes Transportation Commission, a most striking illustration of the great differences in the strength of competition in the several regions of Canada. They show, perhaps for the first time, some rough measurement of these differences and point the need for a most cautious approach to general statements regarding the pervasiness of competition throughout all of Canada.



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2 115. As will be readily seen from these Appendices,
3 competitive rates on traffic of interest to the Atlantic
4 Provinces were far less able to escape the last general
5 freight rate increase than competitive rates elsewhere in
6 Canada. The obvious conclusion can be drawn that competi-
7 tion on traffic of interest to the Atlantic Provinces is
8 much less intense for the railways than for traffic moving
9 in the rest of the country.

10 116. Although the use of Agreed Charges and competi-
11 tive rates on Atlantic Provinces traffic has grown con-
12 siderably in the post-war period, Appendices VI to VIII
13 show clearly that the Atlantic Region has failed to get
14 the benefits usually associated with such growth to the
15 same extent as other regions of Canada.

16
17 117. Reference has been made earlier to the "internal"
18 changes which the railways have made as result of the
19 growth of competition and which have changed the nature
20 of the freight rate structure. While such changes are to
21 be welcomed, since they indicate that the railways are
22 seeking to adapt themselves to the new competitive environ-
23 ment, they have had the effect of "chipping away" the
24 benefits which the Maritime Freight Rates Act was meant
25 to confer on the Atlantic Provinces.

26 118. The foregoing has been an attempt to show how
27 the growth of competition in transportation has affected
28 the freight rate structure and how this, in turn, has
29 affected outlying regional economies like that of the
30



1
2 Atlantic Provinces.

3 119. To sum up, the growth of competition has
4 brought about far-reaching changes in transportation,
5 the most serious of which has been the way in which it
6 has undermined the system of charging differentially or
7 the value-of-service principle in railway pricing reflect-
8 ed in a shift of the incidence of post-war horizontal
9 freight rate increases, thus creating serious transporta-
10 tion problems in outlying economies like that of the
11 Atlantic Region.

12
13 120. It is difficult to escape the conclusion that
14 the growth of competition has had the effect of thwarting,
15 in the case of the Maritimes, the original design of a
16 freight rate structure which was intended to unite the
17 country into an integrated economic unit.

18 121. There is no implication that the value-of-
19 service principle is obsolete but, in the face of the
20 new conditions of competition in transportation it has
21 become progressively less able to function effectively
22 so as to ensure the railways sufficient revenues without at
23 the same time working hardships on regional economies.

24
25 122. The same holds true insofar as the Maritime
26 Freight Rates Act is concerned. In answer to the question
27 posed at the beginning of this Chapter regarding the ef-
28 fectiveness of the Act today in continuing the purpose of
29 the Intercolonial Railway, to paraphrase the words of the
30 Royal Commission on Maritime Claims, it appears that the



1
2 interests of the Maritime Provinces are no longer "fair-
3 ly well safeguarded, the freight rate structure being
4 such as to take into account the requirements of their
5 traffic". This is not to state that the Act has become
6 obsolete, but that in the light of the new developments
7 in transportation, it has become more and more difficult
8 for "Maritime merchants, traders and manufacturers" to
9 compete in the "market of several millions of people"
10 which they were meant to have rather than being restricted
11 to the "small and scattered populations of the Maritimes
12 themselves". In short, the Act has become less and less
13 able to fulfill the purpose of the Intercolonial Railway.
14 The mechanics of the Act are no longer able, in view of
15 the changes which have taken place in transportation, to
16 carry out adequately the purpose of the legislation. It
17 would thus appear that a new concept of the machinery of
18 the Act is necessary in line with the changed conditions
19 in transportation to ensure that the Act, regardless of
20 future developments in transportation, would continue to
21 function in the spirit and purpose it was originally in-
22 tended.

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CHAPTER III

REQUIREMENTS AND PROPOSALS FOR UP-DATING THE MARTIME

FREIGHT RATES ACT

123. A valid revision of the Maritime Freight Rates Act must meet the following requirements:

(1) It must be able to bridge the rate gap between Maritime and Central Canadian producers in the important market of Central Canada.

(2) It must do this over time and must, therefore, contain a mechanism which will compensate for rate distortions arising (a) from disparities in the intensity of carrier competition in the two territories and (b) from horizontal percentage rate increases.

(3) It must not deprive Atlantic Provinces shippers of the opportunity of availing themselves of services and rates of carriers other than the railways.

124 None of these requirements are met by the Maritime Freight Rates Act at the present time.

125. Appendix V contains a number of rail rate histories of several commodities moving from an Atlantic Provinces origin and from a Central Canadian origin to a common Central Canadian destination. It is evident from these rate histories that the Maritime Freight Rates Act has not been able to maintain the rate relationships between the Maritime producers and their Central Canadian competitors in the market of Central Canada.

126. The following observations in respect of Appendix V will make this clear:

A. STEEL BARS: The January 1, 1928 differential of 50



cents per ton in favour of the non-Maritime shipper for a 40,000 lbs. carload has increased to 600 cents a ton. Or, the differential of 30 cents a net ton in favour of the Maritime shipper if he were to load a 60,000 lbs. carload has disappeared and been replaced with a differential of 400 cents a net ton in favour of his Central Canadian competitor.

B. ELECTRIC STOVES: The July 1, 1927 differential of 20 cents per 100 lbs. in favour of the Maritime shipper for a 30,000 lbs. carload has disappeared and been replaced with a 26 cents per 100 lbs. differential in favour of his Central Canadian competitor.

C. WALL PLASTER: The July 1, 1927 differential of 11 cents per 100 lbs. in favour of the non-Maritime shipper has increased to 23 cents per 100 lbs.

D. BILLETS AND BLOOMS: While the July 1, 1927 differential of 130 cents per gross ton in favour of the non-Maritime shipper has increased to 146 cents per gross ton during the period December 1, 1959 to April 15, 1960, more significant is the differential of 441 cents per gross in favour of the non-Maritime shipper which exists during the 7½ months period April 15th to November 30th when a water competitive rail rate is in effect from Hamilton, Ont. It should also be noted that the carload minimum weight for the Maritime shipper has increased from 30 gross tons to over 60 gross tons.

E. CANNED APPLE PRODUCTS: The June 4, 1930 differential



of 16 cents per 100 lbs. in favour of the non-Maritime shipper for a 24,000 lbs. carload has increased to $35\frac{1}{2}$ cents per 100 lbs. for a 60,000 lbs. carload. In 1930 the rates from the Maritime origin and from the Central Canadian origin were Class rates, and despite the establishment of Agreed Charges from both origins the differential has increased by 122%.

F. CANNED MEAT PRODUCTS: Using the lowest rates available from both the Maritime and Central Canadian origins, the April 16, 1930 differential of 5 cents per 100 lbs. in favour of the Maritime shipper has disappeared and been replaced with a $41\frac{1}{2}$ cents per 100 lbs. differential in favour of his Central Canadian competitor.

G. CANNED VEGETABLES: Using the lowest rates available from both the Maritimes and Central Canadian origins, the June 4, 1930 differential of $10\frac{1}{2}$ cents per 100 lbs. in favour of the non-Maritime shipper has increased to 51 cents per 100 lbs.

127. It should be pointed out that this adverse widening of the rate difference has taken place despite an increase of 50% in the rate of subvention under the Maritime Freight Rates Act.

128. Because the rate differences have widened, as Appendix V clearly shows, the Maritime Freight Rates Act as presently written is unable to meet the first requirement.



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129. It follows that it does not meet the second requirement either, for if the Act had contained provision for automatic adjustment, the rate differences in Appendix V would not have widened at least to the extent they have.

130. In respect of the third requirement, as the Act stands today subventions are paid only to the railways to reimburse them for the difference between the rates reduced under the Act and the rates which would apply in the absence of the Statute. In return for the subvention, the railways publish so-called "billed" rates in their tariffs and recover the difference between these "billed" rates and the "normal" rates from the Federal Treasury. Carriers by water or highway serving the Atlantic Provinces, in order to be competitive rate-wise on West-bound movements to other parts of Canada, must meet the reduced Maritime Freight Rates Act rates without a corresponding reimbursement from the Federal Government under the Act.

131. While, perhaps, this has not so far handicapped water and highway carriers too seriously, it undoubtedly has had some effect on their ability to compete with the railways.

132. At the present rate of subvention under the Maritime Freight Rates Act, the disability of the water and motor carriers who do not share in the subsidy granted the railways is, perhaps, not too serious. The disability of the other carriers would, however, become more pro-



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nounced with every increase in the subvention rate. There will be a point at which the subvention rate will be sufficiently high to eliminate all carriers competitive with the railways. At that point, and perhaps even before it is reached, the railways could safely cancel some, if not all, competitive rates and Agreed Charges and replace them with higher class or commodity rates. Likewise, weakened competition would allow the railways to apply even more freely the full amount of all general increases in rates which might be authorized by the Board of Transport Commissioners. In either or both of these events, the effect would be to widen the rate difference between the Atlantic Province producer and his Central Canadian competitor in the market of Central Canada.

133. It follows then that, while the present Statute has not seriously deprived Maritime shippers of the opportunity of availing themselves of services and rates of carriers other than the railways, any revision of the Act increasing the subvention rate payable to the railways alone might very well seriously weaken or eliminate entirely the use of motor trucks and water carriers by Atlantic Provinces shippers.

134. Ideally a revision of the Maritime Freight Rates Act would ensure each Atlantic Provinces producer the same rate on his product to Central Canada as the rate available to his Central Canadian competitor in that market. This formula is easy to state but extremely difficult to apply. It may be possible to administer it in cases where only



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2 one origin point in each region is involved and where
3 shipments are made from each of these origin points to
4 only one destination. Where, however, a multitude of
5 origin and/or destination points are involved, it would
6 require a constant and minute check of thousands of
7 freight rates. To state the problem in this way means,
8 indeed, to question whether a formula based on such a
9 detailed approach can be applied to all industries in the
10 Atlantic Provinces.

11 135. Proposals have been advanced that the Maritime
12 Freight Rates Act should be revised by increasing the
13 present subvention rate of 30% paid on the portion of the
14 rate earned within "Select Territory" to 100% on out-
15 bound westward all rail movements. Such a revision
16 would, indeed, lower the transportation costs of Atlantic
17 Provinces' shippers moving their products to markets in
18 other parts of Canada.

19 136. There are, however, a number of difficulties
20 inherent in a mechanical extension of the present subsidy
21 rate.

22 137. As pointed out earlier, an increase in the
23 subvention rate applicable on rail movements only would
24 weaken and possibly eliminate all carriers competitive
25 with the railways serving the Stlantic Provinces. This
26 would mean that the region would be deprived of the
27 benefits of competition. It would, undoubtedly, mean an
28 increase in certain competitive and agreed charge rates
29 paid the shipper and, concurrently an increase in the
30



amount of subsidy paid under the Act by the Government.

138. A mechanical increase in the subsidy rate without provision for periodic review does not allow the flexibility which the ever-changing transportation situation of today requires.

139. By increasing the subsidy on the basis of the present Maritime Freight Rates Act formula, westbound rates from the Atlantic Provinces for a shorter distance would be higher than rates for a longer distance. The higher the subvention rate is on the present formula the more pronounced this citation becomes.

140. The following examples will illustrate the situation if the present subsidy rate were increased to 100%:

Lumber to Montreal, P.Q.

	From: Orangedale, N.S.	From: Edmundston, N.B.
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Rail Distance	859 Miles	356 Miles
Present "Normal" Rate ¹	64¢	49¢
Present "Billed" Rate (30% Subsidy Level)	49¢	41¢
Projected "Billed" Rate (Based on 100% Subsidy Level)	14¢	24¢

Brick and Tile to Montreal, P.Q.

	From: Lantz, N.S.	From: Chipman, N.B.
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Rail Distance	740 Miles	528 Miles
Present "Normal" Rate ¹	65¢	59¢
Present "Billed" Rate (30% Subsidy Level), exclusive of reduction under Freight Rates Reduction Act	50¢	47¢
Projected "Billed" Rate (Based on 100% Subsidy Level)	16¢	20¢



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2 ¹"Normal" rates have been calculated on the basis of the
3 formula set out by the Board of Transport Commissioners
4 for Canad, (v. 37 CR C 354 at P.362).

5 141. It can be seen from the above examples that
6 the rates are higher for a shorter distance than for a
7 longer distance. Neither the Lumber rates nor the Brick
8 rates in these examples are competitive rates, therefore,
9 the situation portrayed above would be in violation of
10 Section 317 (5) of the Railway Act.

11 142. Of course, it is realized that this violation
12 of the Railway Act might be overcome either by Statutory
13 provision or by a further averaging and grouping of the
14 rates.

15 143. As Chapter II points out, the Maritime Freight
16 Rates Act has become less and less effective because
17 (1) competitive rate reductions outside the Atlantic
18 Provinces not matched on traffic outbound from these
19 Provinces and (2) the widening of the rate differentials
20 as a result of the post-war horizontal increases. It is
21 significant to note that in the period 1912 to 1923 rate
22 differentials between Maritime shippers and their com-
23 petitors widened because the originally lower Maritime
24 rates were first brought up to the Eastern Canadian rate
25 level and then increased in consonance with it. Follow-
26 ing the enactment of the Statute, on the other hand,
27 Maritime rates were subject to the same authorized
28 increases but failed extensively to qualify for the many
29 competitive rate reductions and hold-downs which were
30 given particularly to traffic moving in Central Canada.



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2 144. While the events, therefore, which have taken
3 place since the Maritime Freight Rates Act was enacted
4 are the reverse of those of 1912 to 1923, the effect on
5 the Atlantic Provinces is the same. In the respectful
6 submission of the Maritimes Transportation Commission,
7 the situation confronting the Atlantic Provinces today
8 is the same as they faced in the 1920's. That latter
9 situation, in the words of the Duncan Commission, was
10 "one that can only be dealt with in a broad spirit, and
11 one that for the economic welfare of the Maritimes must
12 be met without delay".¹

13 145. The Duncan Commission felt that it had dealt
14 with the situation "in a broad spirit" by recommending
15 a subsidy of 20 per cent on traffic moving within
16 "Select Territory" and on the "Select Territory" portion
17 of the rate on traffic outbound from the Region. It
18 had arrived at its recommendation as a result of a rate
19 level measurement based on data submitted by Canadian
20 National Railways. The measurement was a broad one and
21 did not involve "minute and scientific investigation,
22 which would... take a indefinite time to conduct".²
23 The Commission was quite aware that the method it had
24 followed and the recommendation it had made pursuant
25 to that method was open to the criticism that it was
26 inaccurate.

27 ¹Report of Royal Commission on Maritime Claims, P.22

28 ²Report of the Royal Commission on Maritime Claims, P.21

29 146. The problem of accurately measuring rate levels
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2 and rate level differences where a variety of movements
3 are involved is, of course, a most difficult one. In
4 its submission to the Royal Commission on Canada's
5 Economic Prospects the Maritimes Transportation Commi-
6 ssion called for such a measurement. "The thought has
7 emerged that the time has come for another 'broad
8 measuring' of the type undertaken by the Royal Commission
9 on Maritime Claims. That thought is based on the
10 recognition that the measurement of rate levels on hand
11 of authorized general percentage increases is unreliable
12 because it fails to take into account the modifications
13 of such levels which are constantly being made due to
14 carrier competitive pressures. What is required now is
15 a clear assessment of the effective freight rate levels
16 which exist in the various regions of Canada".¹

17 147. It was with considerable disappointment that
18 the Atlantic Provinces noted from the Final Report of
19 the Royal Commission on Canada's Economic Prospects that
20 that body found itself unable to undertake the detailed
21 Study necessary to make positive proposals on this and
22 other transportation problems of the Atlantic Region.²

23 148. The Maritimes Transportation Commission felt,
24 therefore, that it should bring to the Royal Commission
25 on Transportation a suggestion as to how rate level
26 measurements can be feasibly undertaken on the basis of

27 ¹Maritimes Transportation Commission: Submission to the
28 Royal Commission on Canada's Economic Prospects
(1956), P.41

29 ²Royal Commission on Canada's Economic Prospects;
30 Final Report (1957), P.408



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2 data already in existence. Accordingly, a method has
3 been devised which uses statistics readily available
4 from the Waybill Analyses which are published annually
5 by the Board of Transport Commissioners. These Waybill
6 Analyses which have been published since 1949 (with the
7 exception of 1950) currently contain a 1 per cent sample
8 of all carload traffic handled by the major railways.

9 149. The broad type of measuring used by the Duncan
10 Commission might, therefore, be undertaken on the basis
11 of the data provided by the Waybill Analyses which would
12 afford a relatively simple method of measuring territorial
13 rate differences at frequent intervals and without the
14 necessity of obtaining ad hoc compilations.

15 150. It is, of course, realized that no method
16 based on deductions from a 1 per cent sample of traffic
17 can claim the accuracy which could be achieved by
18 applying "minute and scientific investigation" from
19 time to time. It can, however, achieve to some degree
20 the type of broad measurement on which the Duncan
21 Commission based its recommendation.

22 151. The Maritimes Transportation Commission, in
23 suggesting a method of rate level measurement in this
24 submission, wishes to make it perfectly clear that it is
25 not claiming scientific accuracy for its proposal. It
26 has been the objective of the Commission to attempt to
27 formulate a procedure for rate level measurements and
28 consequent rate adjustments which would be simple to
29 undertake. It may well be that this objective can be
30



1
2 achieved in a better and more accurate fashion.

3 152. In order to revise the Maritime Freight Rates
4 Act so that it would bridge the rate difference between
5 Maritime and Central Canadian producers in the markets
6 of Central Canada, an attempt might be made on hand of
7 the Waybill Analyses to determine the average rate per
8 100 lbs. which would indicate the extent of the rate
9 differences.

10 153. Such average rates can be determined by
11 dividing the revenue columns by the weight columns shown
12 in the Waybill Analyses, having first converted the
13 figures in the weight columns from tons (where they are
14 shown in tons) to hundredweights. This can be done for
15 movements within one rate territory and from one rate
16 territory to another. This is important for the measure-
17 ment of rate differences between shippers located in
18 different rate territories but competing in the same
19 rate territory.

20 154. The average rates referred to in the preceding
21 paragraph are the average annual prices charged by the
22 railways for carload shipments. They are determined from
23 rates which were actually charged by the railways and,
24 therefore, "reflect the average effects of the numerous
25 individual changes which are continually being made
26 throughout the entire rate structure. These effects may
27 be contrasted with the general rate increases which have
28 been authorized (by the Commission). Not all of the
29 authorized changes have been made and, in many cases,
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1
2 initial increases have been followed by later reductions".¹

3 155. It is realized, of course, that the Waybill
4 Analysis is only a 1 per cent sample and that its validity
5 for the purpose of drawing general conclusions may be
6 subject to challenge. Undoubtedly, a large sample
7 would provide better basic data. To the extent, however,
8 that the Way bill Analysis is reliable, the calculation
9 of average rates on broad categories of traffic such as
10 intra and inter-territorial movements would appear to
11 be justified.

12 ¹"Waybill Statistics - Their History and Uses",
13 Statement No. 543, Interstate Commerce Bureau of
14 Transport Economics and Statistics, February 1954.

15 156. It is respectfully submitted that rate
16 comparisons in cents per 100 lbs. or per ton are more
17 meaningful than such comparisons in terms of ton-mile
18 earnings which accrue to the railways on various move-
19 ments. Shippers are primarily concerned with rate
20 relationships and changes in such relationships as
21 between their traffic and that of their competitors.
22 The opposition of the long-haul shippers to horizontal
23 freight rate increases underscores this most clearly.
24 What is of interest to shippers then are their rates per
25 100 lbs. compared to the rates per 100 lbs. paid by
26 their competitors.

27 157. The changes in these rate relationships, as
28 evident by the examples in Appendix V, between Maritime
29 producers and their Central Canadian competitors in the
30 Ontario-Quebec markets have been to the disadvantage of



1
2 the Maritime producer. This had led him to question
3 the usefulness of the Maritime Freight Rates Act, as it
4 is presently written, in providing the protection en-
5 visaged by the Duncan Commission.

6 158. As Chapter II and Appendix II illustrate, the
7 rates on the Intercolonial were lower than the rates in
8 other parts of Canada. "Whilst the Quebec-Ontario Scale
9 was adopted in the March 1st, 1898, Tariff, the same
10 mileage grouping was not made uniform with Ontari-
11 Quebec. Up to 15 miles, Scales in both territories were
12 the same. For 20 miles the Maritimes' Scale was the
13 same as the Quebec-Ontario Scale for 15 miles. For 100
14 miles the Quebec-Montreal (sic) 70 mile Scale was adopted,
15 and so on - until at 1,000 miles the Maritime rates were
16 the same as those in the Quebec-Ontario Scale for a
17 distance of 500 miles".¹ What this favourable rate
18 structure meant in practice can be seen from a comparison
19 of the 5th Class rates from Halifax to Montreal with
20 those from Toronto to Montreal immediately prior to the
21 change in the I.C.R. rate structure made in 1912. At
22 that time the rate from Halifax to Montreal (for a
23 distance of approximately 837 miles) was 25¢ per 100 lbs.
24 The rate from Toronto to Montreal (for a distance of
25 335 miles) was 22¢ per 100 lbs.

26 (¹C. W. Wells: "Domestic Freight Rate Structure, Class
27 Rates, Eastern Canada". (Verbatim Report of the Lectures
28 Given in the Course on Traffic Management by the
29 Canadian Industrial Traffic League at the University
30 of Toronto, Extension Department, October 17, 1924 -
February 27, 1945).



159. Historically, therefore, there is ample precedent for a de-emphasis of distance as a factor in rate making on Atlantic Provinces traffic. The Maritime case for a de-emphasis of distance does not, however, rest on historical precedent alone. It is based equally firmly on the recognition that transportation has a significant role to play in raising the economy of the Atlantic Region to the level of the other regions of Canada.

160. Appendix IX to this submission contains an analysis of the economy of the Region prepared by the Atlantic Provinces Economic Council. It is really apparent from the Appendix that, while the economy of the Region has grown during the period surveyed, its growth has lagged far behind that of Canada as a whole and will continue to do so, unless remedial measures are taken.

161. It is the respectful submission of the Maritimes Transportation Commission that, just as in the past transportation has been used as an instrument of public policy in the case of the Maritimes, it should again be so used today as an integral part of any measures which must be taken to eliminate the general income differentials between the Atlantic Provinces and other parts of Canada.

162. The Atlantic Provinces are firmly convinced that historical precedent and present need require the de-emphasis of distance as a factor in rate making on their traffic.

163. It is evident that, insofar as transportation costs influence the location of industry, an Atlantic



Provinces location for firms which must sell a principal part of their production in the Ontario-Quebec markets in order to operate economically must be disadvantageous, unless those costs can be roughly equal to prevailing transport costs from producing points nearer the market.

164. It is submitted that it is imperative to attempt to measure broadly the actual rail transport costs in Central Canada and to compare them to such costs on traffic outbound from the Atlantic Region. The device of the average rate per 100 pounds, a meaningful figure for transportation users, has been applied to such a measurement in this brief.

165. From each of the Board of Transport Commissioners Waybill Analyses a tabulation was made of every movement recorded within the Eastern Region (or Eastern Rate Territory)¹. A like tabulation was made of every movement recorded from the Maritime Region (or Maritime Rate Territory)² to the Eastern Region. Average rates were calculated from these tabulations. The next step was to determine the amount of reduction required to bring the average rate on traffic from the Maritime Region to the Eastern Region (hereinafter referred to as "Maritime to Eastern") to the level of the average rate on traffic moving within the Eastern Region (hereinafter referred to as "Eastern to Eastern").

The results of these calculation are shown in Table 3 below:

¹ Eastern Region (or Eastern Rate Territory) is that part of Ontario and Quebec lying between Levis and Diamond,



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2 P.Q., on the East, and Fort William, Port Arthur, and
3 Armstrong, Ont. on the West.
4 ²The Maritime Region (or Maritime Rate Territory) is the
5 four atlantic Provinces and that part of Quebec lying
6 East of Levis and Diamond, P.Q., South of the St.
7 Lawrence River.)

8 TABLE 3

9 AVERAGE RATES ON MARITIME TO EASTERN MOVEMENTS AND
10 EASTERN TO EASTERN MOVEMENTS OF CARLOAD TRAFFIC*

11 (Rates in cents per 100 lbs.)

12 **

	1949	1951	1952	1953	1954	1955	1956	1957	1958
13 Maritime to Eastern	32.3	34.1	40.7	46.9	41.4	43.3	40.3	44.0	48.0
14 Eastern to Eastern	16.3	16.9	20.0	20.1	21.8	19.7	21.6	21.2	20.9
15 Difference	16.0	17.2	20.7	26.8	19.6	23.6	18.7	22.8	27.1
16 Percentage Reduction Required to Bring 17 Maritime to Eastern Average Rate to Level 18 of Eastern to Eastern Average Rate	49.5	50.4	50.9	57.1	47.3	54.5	46.4	51.8	56.5

19 * Excluding traffic moving at U.S. Related Rates

20 ** Includes only traffic originating Mar. 1, 1955 to Dec.
21 31, 1955 inclusive

22 Source: Board of Transport Commissioners Waybill Analyses,
23 Carload All-Rail Traffic (for years shown above)

24 166. It should be pointed out that the average rates
25 for Maritime to Eastern movements shown in the above
26 Table include the reduction authorized by the Maritime
27 Freight Rates Act, namely 20% for the years 1949 to June
28 30, 1957 and 30% for the period subsequent to July 1,
29 1957.

30 167. From the above Table it can be readily seen
that the difference between the Maritime to Eastern
average rate and the Eastern to Eastern average rate is



1
2 substantial and that percentage reductions ranging from
3 a low of 46.4 in 1956 to a high of 57.1 in 1953 are
4 required to bring the Maritime to Eastern average rate
5 to the level of the Eastern to Eastern average rate.

6 168. An analysis was then made of individual move-
7 ments, based on Table 3 of the Waybill Analysis, to
8 determine exactly what commodities were moving within
9 the Eastern Region and from the Maritime to the Eastern
10 Region.

11 169. An examination of the Waybill Analysis showed
12 that certain commodities moving within the Eastern
13 Region do not move from the Maritime to the Eastern
14 Region. Similarly, there are commodities which move
15 from the Maritime to the Eastern Region but do not move
16 within the Eastern Region. An analysis of such move-
17 ments reveals that by far the larger number and tonnage
18 of these commodities is within Eastern Region. They are
19 commodities which do not normally move from the Maritime
20 to the Eastern Region but are purely intra-Eastern move-
21 ments. For example, there is a substantial movement of
22 Nickel Ore, Iron Ore and Sand and Gravel within the
23 Eastern Region; very rarely would a movement of these
24 commodities take place from the Maritime to the Eastern
25 Region.

26 170. Because commodities such as Nickel Ore, Iron
27 Ore, Gravel and Sand move in large volume, over rela-
28 tively short distances and at relatively low rates,
29 these movements would tend to hold the average rate for
30



1
2 Eastern to Eastern movements at a low level. It was
3 felt that such movements could justifiably be omitted
4 from the calculation of average rates.

5 171. In order, therefore, to determine which
6 commodities move regularly both from the Maritime to
7 the Eastern Region and within the Eastern Region,
8 tabulations were made to eliminate movements which did
9 not meet that test. It was then found that occasionally
10 a car of a particular commodity was recorded in the
11 Waybill Analysis as moving from Maritime Territory to
12 Eastern Territory which fell within the category of not
13 being a regular movement. For example, in the nine years
14 analysed only in the year 1954 was a movement of Gravel and
15 San recorded as moving from the Maritime Territory to
16 the Eastern Territory and then only one car.

17 172. On close examination of the data for such
18 irregular movements, it was found that where commodities
19 moving Maritime to Eastern produced less than 1% of the
20 volume (by weight) of the same commodity moved Eastern
21 to Eastern, such movements could invariably be classified
22 as irregular movements.

23 173. It will be seen from the foregoing that two
24 tests were applied to achieve comparability in the
25 waybill data used for determination of average rates for
26 the movements analysed:

27 (1) Commodities which did not move both Maritime
28 to Eastern and Eastern to Eastern were eliminated.

29 (2) Commodities moving Maritime to Eastern which,
30



by weight, were less than 1% of the same commodities moving Eastern to Eastern were removed.

175. The average rates, rate differences and percentage reductions required to reduce the Maritime to Eastern average rates to the level of the Eastern to Eastern average rates resulting from the application of the above two tests are shown in Table 4 below?

TABLE 4

Rates in cents per 100 lbs.

	<u>1949</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>
Maritime to Eastern ¹	316	346	428	469	409	452	40.7	446	483
Eastern to Eastern	177	215	234	244	283	280	289	301	332
Difference									
Percentage Reduction Required to Bring Maritime to Eastern Average Rate to level of Eastern to Eastern Average Rate	440	379	453	480	308	381	290	325	313

Source: Board of Transport Commissioners Waybill, Carload

All-Rail Traffic (for years shown above), Table 3.

(¹ Average rates for Maritime to Eastern movements include the reductions as authorized by the Maritime Freight Rates Act which were in effect on the date the traffic moved.)

175. Regardless of whether Tables 3 or 4 of this submission are used, it can readily be seen that the Maritime Freight Rates Act, despite the increased subvention rate in 1957 has not been able to bridge the rate difference between the Atlantic Provinces shipper and his Central Canadian competitor in the Ontario-



Quebec market.

176. The figures contained in these Tables are significant not because of their absolute values but because of the rate relationships they illustrate. There is no suggestion, for example, that all intra Eastern traffic moved at a rate of 33.2 cents in 1958, nor that all traffic outbound from the Atlantic Provinces to Central Canada was carried at a rate of 48.3 cents in 1958. The average rates shown in the Tables are, of course, influenced by the differences in the consist of traffic as well as by the variations in the respective lengths of haul on movements recorded in the waybill analysis from year to year.

177. The figures do illustrate, however, the extent of the average rate difference between the Atlantic Provinces shipper and his Central Canadian counterpart competing in the common markets of Ontario and Quebec. Since the average rates are derived from the Waybill Analysis, which is a 1% sample of all carload rail movements in Canada, the rates must of necessity reflect the incidence of horizontally applied rate increases and the intensity of motor truck and water competition.

178. Because the Waybill Analysis picks up, first, a changing consist of traffic each year and, second, traffic moving for differing lengths of haul, it is difficult to attribute a change in an average rate entirely to a general horizontal rate increase or to a number of competitive rate reductions or hold-downs.



1
2 However, since the average rates are based on actual
3 rates charged, they must reflect these changes in the
4 rate structure.

5 179. It was submitted earlier that a valid revision
6 of the Maritime Freight Rates Act must be able to bridge
7 the rate difference between Maritime and Central
8 Candian shippers in the common markets of Central Canada
9 and that it must do so over time, containing, therefore,
10 a mechanism which will compensate for distortions arising
11 from horizontal rate increases and variations in the
12 intensity of carrier competition.

13 180. It should be pointed out that this Commission
14 is not asking for a revision in the Maritime Freight
15 Rates Act insofar as it applies to Western Canada.

16 181. The horizontal rate increases and competitive
17 rate reductions and hold-down which have whittled away
18 the benefits of the Maritime Freight Rates Act on traffic
19 from the Atlantic Provinces to Central Canada have not
20 affected the Maritime to Western rates to the same degree.

21 182. A brief explanation of the present rate
22 structure will clarify this point. Rates from the Atlantic
23 Provinces to Western Canada are based principally on the
24 rates from what is commonly called A and B Territory¹
25 plus a series of arbitraries². The arbitraries, which
26 bear little or no relationship to the distance involved,
27 coupled with the present Maritime Freight Rates Act
28 subvention, have enabled Atlantic Provinces industry to
29 retain a foothold in the Western Canadian market.
30



1
2 (¹ A and B Territory is that part of Quebec and Ontario
3 lying roughly within the triangle formed by Montreal,
4 P.Q., Sault Ste. Marie, Ont. and Windsor, Ont.

5
6 ² An arbitrary is a fixed amount added to or deducted
7 from a rate from one station to make a rate from
8 another station.

9
10 183. While the horizontal rate increases and com-
11 petitive rate hold-downs and reductions have distorted to
12 some extent the rate relationships between Atlantic and
13 Central Canadian producers in the Western market, the
14 distortion has not been as severe as in the Central
15 Canadian market.

16
17 184. It is respectfully submitted that the relative
18 rate relationship between the Atlantic shipper and his
19 Central Canadian counterpart in the Western market must
20 not be disrupted in the future by horizontal rate
21 increases, competitive rate reductions or hold-downs or
22 a general revision of the Canadian rate structure.

23
24 185. The thesis is here put forward that a rate
25 difference measurement along the lines set out in this
26 Chapter would provide the data on which such a revision
27 of the Maritime Freight Rates Act could be based. The
28 information is readily available from the Waybill Analysis
29 of the Board of Transport Commissioners and is compiled
30 annually, thus providing an opportunity for periodic
measurements.

186. The revision of the Maritime Freight Rates Act
envisaged in this submission would have as its first
requirement the covering by the Federal Government, by
way of subvention, of the difference in the rate gap
between Maritime to Eastern and Eastern to Eastern traffic.



1
2 Second and third requirements are the annual measurement
3 of this difference and the payment of the subventions
4 either to the shipper direct or to all types of for-hire
5 carriers. These matters will be developed now.

6 187. The Maritime Freight Rates Act presently
7 provides for the payment to the railways of Federal
8 subventions allowing rates payable by the shipper within
9 the Atlantic Provinces and from the Atlantic Provinces
10 to other parts of Canada to be lower than they would be
11 in the absence of such subventions. As stated earlier,
12 since July 1, 1957, the subvention on outbound traffic
13 from the Atlantic Provinces has been 30% on the proportion
14 of the rate which is earned within "Select Territory".
15 In return for the subvention, the railways publish
16 so-called "billed" rates in their tariffs and recover
17 the difference between these "billed" rates and the
18 "normal" rates from the Federal Treasury.

19 188. As Appendix V indicates, the increase in the
20 Maritime Freight Rates Act subsidy from 20% to 30% in
21 1957 on outbound traffic from the Atlantic Provinces on
22 the formula set out in the preceding paragraph, namely
23 the applicability of the reduction only on the portion
24 of the rate earned within "Select Territory", did not
25 bridge the rate difference between the Maritime to
26 Eastern average rates and the Eastern to Eastern average
27 rates.

28 189. The rate difference, however, may be bridged
29 by the payment of subventions covering the entire per-
30 centage difference between the average Maritime to



Eastern and Eastern to Eastern rates and based on the total rate rather than the proportion of the rate earned within "Select Territory". An indication of necessary subvention rates has been given in Tables 3 and 4 above. This would, in effect, mean a de-emphasis of the greater length of haul to which Atlantic Provinces shipments moving to Central Canada are subjected. It would be a return to the original design of the Maritime rate structure which, in respect of Standard Mileage Class Rates, for instance, kept a Maritime originating movement of 1000 miles at a rate equivalent to the Ontario-Quebec 500 mile scale.¹ This would mean that one again, in respect of transportation costs, an Atlantic Provinces location would not be disadvantageous to an industry which must sell a major part of its production in Central Canada.

(¹ C. W. Wells: po. cit.)

190. It is clear that the original intent of the Maritime Freight Rates Act has been thwarted by the distortions of rate relationships caused by horizontal rate increases and differences in competitive conditions. Attempts to attack the two factors singly have failed. The position of the Atlantic Provinces today parallels that which gave rise to the representations in the mid-Twenties, leading ultimately to the appointment of the Royal Commission on Maritime Claims.

191. The "Rate Difference" method of subventions has the advantage of being capable of the flexibility



1
2 which the dynamism of transportation developments re-
3 quires today and for which the Duncan Commission made no
4 provision. It can be superimposed on the Maritime
5 Freight Rates Act and would exist in recognition of the
6 circumstances and conditions which have arisen since the
7 passage of the Act. As has been shown, these circum-
8 stances and conditions could not be dealt with by the
9 Statute in its present form.

10 192. As pointed out earlier in this submission, the
11 calculation of average rates can be made easily from the
12 annual Waybill Analyses of the Board of Transport
13 Commissioners for Canada and the difference between the
14 Maritime to Eastern and Eastern to Eastern average rate
15 can then be easily determined. On a broad basis,
16 therefore, the effects of the thousands of individual rate
17 adjustments which are made throughout a given year will
18 be reflected in the average rates charged by the railways
19 during that year and recorded in the 1% Waybill sample.

20 193. It is evident, therefore, that the effects of
21 rate relationship distortions due to horizontal increases
22 and variations in the impact of competition on different
23 movements of traffic will be reflected on a broad basis
24 in the average rates and can be compensated for by
25 adjustments in the subvention rate.

26 194. It is true that, if the subvention rate is
27 determined from the Waybill Analysis, adjustments will
28 lag behind the actual rate increases or decreases. How-
29 ever, the maximum time lag should not be longer than
30



1
2 eighteen months and should, therefore, be reasonably
3 satisfactory to the Atlantic Provinces.

4 195. The "Rate Difference" subventions must of
5 necessity fluctuate from year to year requiring either
6 a higher or a lower subvention. The subventions are
7 different, therefore, from the present subventions under
8 the Maritime Freight Rates Act which are constant (with
9 the exception of the change on July 1, 1957). It may
10 be said that fluctuating subventions introduce an element
11 of uncertainty in the rate structure. It is doubtful,
12 however, whether this uncertainty is significantly great-
13 er than that which is being faced by industry and carriers
14 under everyday conditions.

15 196. Fluctuations in the yearly subvention rate
16 will depend on the size of the rate difference determined
17 from the average rate calculated on Maritime to Eastern
18 and Eastern to Eastern traffic. The rate difference -
19 and, consequently, the subvention rate required -
20 should be smaller (consist of traffic and average haul
21 being constant on the two movements) if, for instance,
22 Eastern to Eastern rates remain constant while Maritime
23 to Eastern rates decrease due to intensified carrier
24 competition. It would also be smaller, if Eastern to
25 Eastern rates increased while Maritime to Eastern rates
26 remain unchanged. Conversely the rate difference will
27 be larger - and the subvention rate required greater -
28 if, for instance, Eastern to Eastern rates decrease due
29 to intensified carrier competition while Maritime to
30



1
2 Eastern rates remain constant, or if Maritime to Eastern
3 rates increase while Eastern to Eastern rates remain
4 static.

5 197. As stated earlier, the subventions under the
6 Maritime Freight Rates Act are paid to the railways in
7 compensation for lowering rates on intra-Maritime traffic
8 and on traffic outbound from the Atlantic Provinces to
9 other parts of Canada. These subventions are not paid
10 to carriers other than the railways, although the railways
11 receive subsidies on Agreed Charges and competitive rates
12 which they publish to meet the competition of such other
13 carriers. It has been recognized for some time now that
14 this unilateral payment of subventions to the railways has
15 had some inhibiting effect on the growth and strengt of
16 competing carriers. While this effect has probably not
17 been too sever so far, any significant increases in the
18 subsidy under the Maritime Freight Rates Act would ten to
19 weaken such competing carriers considerably. Indeed,
20 the Maritime Freight Rates Act has been attacked on this
21 point by the trucking industry.

22 198. The Duncan Commission apparently did not foresee
23 the effects of increasing competition on the freight rate
24 structure. This may have been partly due to the fact
25 that the complaints presented to the Duncan Commission by
26 the Maritimes were confined to rail rates and also that
27 truck transportation at that time was in its infancy.
28 Had the Duncan Commission been able to foresee the effects
29 of truck competition, it is doubtful that it would have
30 felt that the course it recommended would have the



"effect of giving immediate relief in a manner that is equitable as well as broad".¹ Indeed, the Commission appeared to be conscious of the effect of its recommendation on one of the competitors of the Canadian National Railways: "We are not overlooking that the other great railway system operating in the area should be entitled to equitable consideration if they find themselves prejudiced as a result of the reduction proposed".²

(¹ Royal Commission on Maritime Claims, 1927, P.22
² Ibid, P.23)

199. There is little doubt that the Maritime Freight Rates Act has played some part in slowing the development on inter-carrier competition. To the extent that the Act has had that effect, it has deprived the Atlantic Provinces of the benefits usually associated with the intense competition. It would be unrealistic, however, to argue that the complete removal of subventions would allow the interplay of competitive forces to act in such a way that the transport costs of good outbound from the region, and in certain cases within the region, would cease to be a matter of concern.

200. Indeed, Canadian Trucking Associations recognizes that there are other factors besides the Maritime Freight Rates Act which have had a bearing on the slower growth of truck competition in the Atlantic Provinces. During the cross-examination of the Associations' witness by Mr. F. D. Smith, Q.C. the



1
2 following appears:

3 "Q. And, therefore, could it not be concluded
4 that industrial and commercial conditions, density
5 of population, and road conditions, as well as the
6 Maritime Freight Rates Act, have retarded the
7 growth of truck competition in the Maritimes?

8 MR. MAGEE: Very definitely. That is the
9 way we have tried to present it there, and all those
10 factors enter into it."¹

11 (¹ Royal Commission on Transportation, Transcript
12 of Evidence for May 3rd, 1960, Volume 61,
13 P. 11049.)

14 201. The further subsidization of traffic outbound
15 from the Atlantic Provinces need not interfere with the
16 natural development of competition between different
17 types of carriers. Such competition would not be dis-
18 couraged, if the additional subvention were either paid
19 directly to the users of the transportation services or
20 to all types of for-hire carriers.

21 202. Ideally, subsidies should be paid to the users
22 of transportation services. Such a procedure would
23 (1) clearly indicate who the beneficiaries of the sub-
24 vention are and how much they benefit from it,
25 (2) enable the rate structure to develop without the
26 influence of public subsidy policy elements and
27 (3) retain for the transport user the free choice of
28 carriers which he does not have, if a subsidy is given to
29 one mode of transportation only.

30 203. On the other hand, the payment of a subsidy



1
2 to a transportation agency or agencies on behalf of
3 the transportation users may, over time, obscure the
4 reason for the granting of the subsidy. It may come to
5 be looked upon as a Government subsidy to the transport-
6 ation agency or agencies. By the payment of subsidies
7 to transportation agencies the actual revenue received
8 by the carriers is more difficult to determine and is
9 often not apparent to the users of the service. Further
10 if subventions are not paid to all types of carriers,
11 the subsidized carrier will not tend to meet the comp-
12 etition of his non-subsidized rival by setting a rate
13 which, including his subvention, will meet the rate of
14 his competitor. Instead, he will tend to set his rates
15 at a level just low enough to meet that of his non-
16 subvented competitor and yet receive an additional
17 payment from public funds.

18 204. If the subsidized carrier chooses to go below
19 the rate of the non-subsidized carrier, and at the same
20 time receives by virtue of the subsidy an additional
21 amount of money, the subvention introduces an artificial
22 element into competition.

23 205. The payment of transportation subventions
24 directly to the user presents problems which are either
25 non-existent or do not exist to the same degree if sub-
26 ventions are paid to the transportation agencies. It
27 cannot be denied that the payment of a transportation
28 subsidy directly to the user is cumbersome in most
29 instances where a large number of shippers are involved.
30



1
2 206. For example, if the present Maritime Freight
3 Rates Act subventions were paid directly to the users,
4 the Government would be faced with the payment of sub-
5 ventions to a great number of shippers and receivers,
6 and with a multitude of documents from many sources for
7 proper checking of eligibility and correctness of the
8 claims submitted.

9 207. While, therefore, the payment of subventions
10 directly to users of transportation services is attractive,
11 administrative difficulties make it impossible of easy
12 achievement. It would appear, then, that the subvention
13 aim is better met if the assistance is paid to the
14 transportation agencies on behalf of those in need of it.
15 If that is done, equality of treatment should be given
16 by the payment of the subvention to all types of for-
17 hire carriers.

18 208. The payment of subventions to all for-hire
19 carriers would enable the railway-owned highway carriers
20 to participate in the proposed "Rate Difference" sub-
21 ventions on outbound movements from the region. With
22 the expansion of railway-owned highway operations which
23 has taken place in the recent past and which is expected
24 to continue, the payment of the proposed subventions to
25 these operations would undoubtedly be of benefit to the
26 railways.

27 209. The additional subsidy payable on movement from
28 the Atlantic Provinces to Central Canada envisaged by
29 this submission would be administered by a Subvention
30



Authority set up within the Department of Transport.

210. The additional subventions would be given to all for-hire carriers who fall within certain eligibility categories. Among the criteria that would govern eligibility might be the following:

(1) The carrier is registered with the Subvention Authority.

(2) The carrier is properly licenced or franchised for the service (where licencing is required).

(3) The carrier files his rates with the Subvention Authority and makes them available to the public.

(4) The carrier charges only the rates filed with the Subvention Authority.

211. The proposed legislation would carry sanctions against fraudulence. Among such sanctions could be the non-acceptance by the Subvention Authority of the carrier's reimbursement claims for specified periods.

212. The mechanics of tariff publication for the additional subvention could be relatively simply. For the rail carriers it could be accomplished by a master tariff to which other appropriate tariffs are made subject. A Master tariff such as this could be supplemented or reissued with relative ease at any time when the subvention rate is changed.

213. The same or a similar master tariff might be found to be a useful means of implementing the new reductions required by the legislation for the other for-hire carriers.



214. All eligible carriers would submit periodic summary sheets to the Subvention Authority. These sheets, along with other information, would show the total rate assessed the shipper or receiver. On the basis of this information the Subvention Authority would reimburse the carriers for the difference between the rate assessed and the rate which, but for the subvention, would have been charged.

215. This submission has suggested a possible method of territorial rate level measurement and the covering by the Federal Government of the difference between Maritime to Eastern and Eastern to Eastern average rates. The additional subsidy suggested in this submission based on the 1958 Waybill Analysis is 31.3% (See Table 4).

216. The Maritimes Transportation Commission felt that it should indicate, insofar as possible, the cost to the Federal Treasury of the additional subvention rate.

217. In an attempt to estimate the cost of such a plan, the Commission turned to the 1958 Waybill Analysis for basic data. Equivalent statistics for less carload, highway and water traffic, unfortunately, were lacking.

218. The 1958 Waybill Analysis shows that carload rail traffic (exclusive of traffice moving at U.S. Related rates on which no subvention would be applicable) moving from the Maritime Region to the Eastern Region produced a revenue of \$201,598. This figure expanded to 100% would be \$20,159,800.

219. If the additional subvention envisaged in this



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2 submission had been in effect during the year 1958, the
3 subvention rate for the first part of the year would have
4 been 29.0% (based on the 1956 Waybill Analysis, See
5 Table 4). After the 1957 Waybill Analysis figures became
6 available from the Board of Transport Commissioners the
7 subvention rate would have been 32.5%. (See Table 4).

8 220. There was no method by which this Commission
9 could determine what part of the Maritime to Eastern
10 revenue recorded in the Waybill Analysis was applicable
11 to traffic moving in the early part of 1958. It was,
12 therefore, not possible to apply two subvention rates to
13 the 1958 Waybill Analysis data.

14 221. If the subvention rate of 32.5%, determined
15 from the 1957 Waybill Analysis, were used, it would have
16 the effect of overstating the subsidy required. On the
17 other hand, if the subvention rate of 29.0%, determined
18 from the 1956 Waybill Analysis, were used, it would have
19 the effect of understating the subsidy required.

20 Accordingly, it was decided that for this estimate the
21 subvention rate of 32.5% would be used.

22 222. Subject to the qualifications in the preceeding
23 paragraphs, Table 5 below sets out the results of this
24 estimate of the cost in 1958 of the additional subvention
25 on rail carload traffic, based on data in the 1958 Waybill
26 Analysis.



TABLE 5

Maritime to Eastern Revenue (exclusive of U.S. Related Traffic) recorded in the 1958 Waybill Analysis, expanded to 100%.	\$20,159,800
Maritime to Eastern subject to 32.5% Reduction	13,607,865
Difference to be covered by Subsidy	<hr/> \$ 6,551,935

223. Again it should be stressed that the above estimate is based on a 1% Waybill sample.

224. It should be pointed out, too, that the above figure apparently does include railway operated "piggyback" movements of 10,000 lbs. and over. It does not, however, include less than carload rail traffic, or traffic moving by highway and water carriers.

225. The only statistics available to this Commission on these movements were as follows:

Less-than-Carload Rail Traffic: "Railway Freight Traffic" for the year ended December 31, 1959 shows that 184,188 tons of less-than-carload freight were loaded at stations in the Atlantic Provinces. It is reasonable to assume that the preponderance of this tonnage would be traffic destined to points within the region to which no additional Maritime Freight Rates Act subsidy would be applicable.

Highway Carriers Traffic: D.B.S. "Motor Transport Traffic Statistics, Atlantic Provinces, 1958" shows that 14,000 tons of freight moved from the Atlantic Provinces to Ontario and Quebec by the for-hire trucking industry.



1
2 Water Carrier Traffic: While tonnage figures of cargoes
3 carried by water from the Atlantic Provinces to Ontario
4 and Quebec are available, much of the tonnage recorded
5 is traffic moving by private carriage and/or in chartered
6 vessels. Such statistics would, therefore, vastly over-
7 state the tonnage that would be entitled to the additional
8 Maritime Freight Rates Act subvention.

9 226. There are at present only three water carriers
10 providing a regular scheduled for-hire service between
11 the Atlantic Provinces and Ontario or Quebec, namely,
12 Clarke Steamship Company Limited, Newfoundland-Canada
13 Steamship Ltd. and Newfoundland-Great Lakes Steamships
14 Limited. All three carriers serve Ontario or Quebec
15 points and Newfoundland points. The major part of the
16 cargo carried in this service is consumer goods to
17 Newfoundland. Such Eastbound traffic would not be subject
18 to the additional subvention.

19 227. From the foregoing, it is evident that a
20 certain volume of traffic presently moving by highway or
21 water carriers for which the present Maritime Freight
22 Rates Act subsidy is not paid would become eligible for
23 the new Maritime Freight Rates Act subvention.

24 228. Traffic moving by rail at present which might
25 be diverted to truck or water transport, if a subvention
26 were available by those means, would simply be a transfer
27 of the payment from one carrier to another. If the
28 diversion from rail to truck or water is made solely
29 because the truck or water rates have become lower, then
30 the subsidy payment would decrease.



229. Likewise, the encouragement of competition between the various media of transport could very well be expected to lower to some extent the rail rate level on traffic moving from the Atlantic Provinces to Central Canada and, thereby, result in lower subsidy payments to the railways.

230. On the other hand, an increase in the volume of traffic moving from the Atlantic Provinces to Central Canada will increase the subsidy payments. But an increase in the volume of traffic moving will encourage still further the growth of competition and tend to offset, in part at least, the increased payments because of the increased volume.

231. It is, of course, evident that a substantial increase in the volume of traffic moving from the Atlantic Provinces to other parts of Canada would be a prima facie indication that the region was participating to a fuller extent than at present in the economic life of Canada. Such an improvement in the economy of the Atlantic Provinces would have beneficial effects beyond the borders of the Region.

232. It would be unrealistic to assume that the growth of competition could be expected to lower by itself, the rates from the Atlantic Provinces to Central Canada to a level where no subsidy would be required. It would not be unrealistic, however, to expect that competition under a subvention policy applicable to all types of for-hire carriers, will exert a downward pressure on the



1
2 Maritime to Easter rate level and, thereby, hold down
3 the amount of subsidy required.

4 233. It will be seen from the foregoing that it was
5 not possible for this Commission to make a firm estimate
6 of the cost of the additional subsidy. It is respectfully
7 submitted that the Royal Commission could obtain from
8 the railways and/or the Department of Transport and the
9 Board of Transport Commissioners, and the highway and
10 water carriers involved the requisite revenue and tonnage
11 figures to make a more detailed and accurate estimate.
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CHAPTER IV

THE TRANSPORTATION SITUATION OF NEWFOUNDLAND

234. Newfoundland's geographic position as an island situated far from the Canadian mainland, the existence of a narrow gauge railway which makes for a break bulk route and limited highway mileage suitable for transport vehicles, produce serious transportation problems which are unique in Canada.

235. Because Newfoundland's transportation situation is so different from that of Nova Scotia, New Brunswick and Prince Edward Island, it was considered necessary to include a separate chapter in this submission to deal solely with these problems.

236. Proof that transportation is vital to Newfoundland is supplied by the very terms of union with Canada. These contain a number of important provisions dealing with transportation.

237. The main railway line in Newfoundland extends from Port aux Basques on the Cabot Strait to St. John's on the east coast in a long circuitous route measuring some 547 miles with numerous heavy grades and curves. There are 158 miles of branch lines, all of which represent a total of 705 miles of narrow gauge rail lines operated by Canadian National Railways for the Federal Government.

238. There are two railways lines that connect with the main line of Canadian National Railways, namely the Grand Falls Central Railway, a common carrier serving the Port of Botwood; and the Buchans Railway, a private



1
2 carrier serving the Copper, Lead and Zinc deposits at
3 Buchans. The Buchans Railway connects with the main line
4 of Canadian National Railways by means of running rights
5 over tracks owned and maintained by the Anglo-Newfound-
6 land Development Company Limited.

7 239. The chief link between the Canadian National
8 Railways lines in Newfoundland and the continental rail
9 system is provided by a daily steamship service between
10 Port aux Basques and North Sydney, N.S. The motor
11 vessel "William Carson", which is a modern ice breaking
12 ferry, was especially designed for this service. The
13 108 mile crossing is plied by this vessel on a daily
14 turn-around basis (six hours steaming and six hours in
15 port). Additional vessels are provided to supplement the
16 M.V. "William Carson" according to the volume of traffic.

17 240. With the exception of a limited useage of
18 containers, the movements of traffic between Port aux
19 Basques and North Sydney is what is commonly referred to
20 as a "break bulk"¹ operation involving up to four separate
21 handlings.

22 241. Part of the population of Newfoundland and
23 Labrador, chiefly engaged in fishing, live in about
24 1,600 settlements located at the numerous bays and inlets
25 along approximately 11,000 miles of coast line. Many of
26 these settlements or outports are completely dependent
27 on the sea as a means of transportation.

28 242. A coastal steamship service is provided by
29 Canadian National Railways who operate eleven vessels.

30 (¹Break Bulk in this context denotes the unloading of the
contents of railway cars for transfer to vessels and the
reloading of railway cars.)



The following are included in the coastal steamship service operated by Canadian National Railways²:

South Coast Service	- 47 ports of call involving approximately 550 nautical miles of navigation (one way)
Placentia Bay Service:	
West Run	- 17 ports of call involving 95 nautical miles of navigation (one way)
Bay Run	- 14 ports of call involving 95 nautical miles of navigation (one way)
Green Bay Service	- 37 ports of call involving approximately 330 nautical miles of navigation (one way)
St. John's-Lewisporte Service	- 39 ports of call involving approximately 440 nautical miles of navigation (one way).
St. John's-Corner Brook Service	- 56 ports of call involving approximately 930 nautical miles of navigation (one way)
Lewisport-Corner Brook Service	- 61 ports of call involving approximately 840 nautical miles of navigation (one way)
South Labrador Service	- 34 ports of call involving approximately 790 nautical miles of navigation (one way)
North Labrador Service	- 11 ports of call involving 460 nautical miles of navigation (one way)

The foregoing coastal steamship services call at a total of 316 ports involving approximately 4,500 nautical miles of navigation (one way). Included in the above noted total of 316 ports of call are a number of duplications brought about because some of the services

(²Source: Canadian National Railways Time Table 94.



1
2 overlap one another.

3 243. Generally speaking, the frequency of service
4 to ports of call served by Canadian National Railways is
5 on a weekly basis with the exception of ports of call on
6 the South and North Labrador Service where a fortnightly
7 service is provided. Operations are suspended during the
8 winter months because of weather and ice conditions to all
9 ports of call except those on the South Coast, Green Bay
10 and Placentia Bay Services. The last sailing before the
11 closing of navigation is generally during the latter part
12 of December. Service is generally resumed during the
13 early part of May.

14 244. In addition to the coastal steamship service
15 provided by Canadian National Railways, privately operated
16 schooners and motor vessels serve as important media of
17 transportation to and from the smaller centres and out-
18 ports. The cost of new construction prohibits the
19 economic replacement of these vessels and as a result
20 their number is being depleted by age and loss.

21 245. Highway construction in Newfoundland presents
22 many difficulties. These include the frequent obstacle
23 of terrain in the form of massive rock formations or deep
24 bogs, the scarcity of suitable road-making material in
25 some areas, the short season suitable for road construction
26 and, in the case of coastal highways, the transportation
27 by sea of road-building equipment. All of these factors
28 involve high costs per mile which, for a Province with a
29 small population scattered over great distances, presents
30



1
2 a serious problem.

3 246. Between 1955 and 1959, paved surfaces have
4 increased from 104 to 200 miles, while gravel surface
5 roads advanced from 2,307 to 3,500 miles. The Newfound-
6 land portion of the Trans-Canada highway is expected to
7 amount to 554 miles when completed. At the end of 1959,
8 287 miles had been graded and 69 miles paved. It should
9 be noted that the 69 miles of paved Trans-Canada highway
10 are included in the previously mentioned total of 200
11 miles of paved highway.

12 247. Although great progress has been made during
13 the past few years in both new construction and re-
14 construction or improvement of existing roads, much re-
15 mains to be done to bring the standards up to a level
16 that will facilitate the development of highway carriage.
17 Under these conditions it can be expected that the use
18 of trucks in Newfoundland would be less extensive than it
19 is in other parts of Canada.

20 248. This can be seen from the following table
21 which shows net ton miles per capita produced by trucks
22 in Canada during 1957:
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TABLE 6

NET TON MILES PER CAPITA BY PROVINCE PRODUCED BY TRUCKS
IN 1957

(Figures in Brackets denote rank among Provinces)
Type of Trucking

Province	For Hire	Private Intercity	Farm
Newfoundland	25 (10)	28 (10)	1 (10)
Prince Edward Island	94 (8)	75 (8)	458 (1)
Nova Scotia	150 (6)	146 (6)	151 (2)
New Brunswick	86 (9)	266 (1)	103 (5)
Quebec	216 (5)	223 (3)	86 (7&8)
Ontario	381 (2)	265 (2)	122 (4)
Manitoba	137 (7)	48 (9)	41 (9)
Saskatchewan	264 (4)	168 (4&5)	134 (3)
Alberta	600 (1)	108 (7)	87 (7&8)
British Columbia	276 (3)	168 (4&5)	92 (6)

Source: D.B.S. 1956 Census Figures
D.B.S. Motor Transport Traffic Statistics,
National Estimates 1957.

249. It will be noted that Newfoundland ranks last among the Provinces in the production of net ton miles per capita under all three categories of trucking shown. Newfoundland trucking is virtually confined to intra-provincial operations because of the lack of adequate facilities for the carriage of trucks between the Island and the Mainland.

250. It should be stated that the inauguration of service by the M.V. "William Carson" between Port aux Basques and North Sydney in October of 1958 has brought about a limited movement of highway freight vehicles. While a small scale interprovincial trucking service has developed through the facilities offered by the M.V. "William Carson", further development along this line is highly unlikely under present circumstances.



251. This is evident from an examination of the M. V. "William Carson" blueprints, together with the Canadian National Railways Tariff E. 27 which provides the Rules, Regulations and Charges for automobile trucks and/or automobile trucks and trailers (when accompanied by driver) using this vessel. The tariff shows that the vessel has a carrying capacity of 6 trucks and 2 buses. It provides the following clearances and limitations for motor vehicles using the vessel:

Height: not exceeding 11 feet
Width: not exceeding 8 feet
Length: not exceeding 32 feet for trucks or trucks and trailers combined, including couplings and other projections.

252. The blueprints of the vessel show that she can handle five trucks 23 feet 6 inches in length, 8 feet in width and 11 feet in height; and one truck 20 feet in length, 6 feet 3 inches in width and 11 feet in height. The space allotted for each of the two buses is 33 feet 8 inches long, 8 feet wide and 11 feet high. The regulations do not permit the trailers to be detached from the power unit and each tractor trailer combination must be accompanied by a driver.

253. Although the tariff provides that the M.V. "William Carson" has a carrying capacity of 6 trucks, it should be noted that this is reduced to 5 trucks if one of the trucks happens to fall between 23 feet 6 inches and 32 feet in length. Further, the carrying capacity is reduced to 4 trucks if 3 of the vehicles should fall within these dimensions.



254. Highway freight vehicles of a size accepted on the M. V. "William Carson" would be subject to a very limited loading capacity. For example, a truck falling within dimensions of 23 feet 6 inches in length, 8 feet in width and 11 feet in height would approximate a 3 ton single unit truck of a type commonly used for local intra-city cartage with a carrying capacity of 500 to 700 cubic feet. This compares to a cubic capacity of approximately 2,200 to 2,500 cubic feet for the larger trailers used by the trucking industry for inter-city transport.

255. It is abundantly clear that future development of inter-provincial trucking between Newfoundland and the mainland is severely impeded unless adequate facilities are provided.

256. Because of its island position and its distance from the mainland air transportation is perhaps more important to the Province of Newfoundland than to any other province in Canada. Before the advent of air transportation as we know it today, passenger travel between Newfoundland and mainland centres by the swiftest methods of surface travel involved considerable lengths of time. Air transportation provides a vital link with the numerous coastal settlements isolated by the closing of navigation during the winter months.

257. There are three major airlines serving Newfoundland for domestic freight and passenger transportation. The largest one, Trans-Canada Air lines, connects St.



1
2 John's, Gander and Stephenville by daily flights to
3 Montreal which call enroute at Sydney, Halifax, Moncton,
4 and Saint John. Maritime Central Airways and Eastern
5 Provincial Airways also provide services of major
6 importance. Maritime Central Airways serve St. John's,
7 Gander, Goose Bay, Saglek, Frobisher and Stephenville
8 and connect these points with a number of centres on the
9 Maritime mainland. Eastern Provincial Airways provide
10 a service on an irregular basis between numerous outports
11 as well as inland points situated adjacent to lakes on
12 the one hand and Gander, Goose Bay, St. John's and
13 Stephenville on the other.

14 258. It can be expected that the movement of goods
15 by air, particularly to Newfoundland, will show consider-
16 able growth as the cargo capacity of the carriers in-
17 creases and rates decline.

18 259. The importance of water transportation between
19 Newfoundland and the mainland cannot be stressed too
20 strongly. A large share of the total volume of traffic
21 to and from Newfoundland is moved by both for-hire and
22 private water carriage.

23 260. A regular schedule service is provided by the
24 for-hire water carriers which connect mainland ports
25 such as Toronto, Hamilton, Montreal, Saint John and
26 Halifax with the Newfoundland ports of St. John's,
27 Corner Brook and Botwood.

28 261. In terms of the actual volume of goods moved
29 by the water carriers from the mainland of Canada to
30



Newfoundland, a figure of 250,000 tons per year is involved. (Royal Commission on Transportation, Transcript of Evidence for November 18, 1959, Volume No 9, Page 1156.) This is almost equal to the volume moved by Canadian National Railways through the North Sydney gateway.

262. It is interesting to note that approximately two thirds of the above tonnage was discharged at the port of St. John's in 1959. Applicable origin ports and estimated tonnages loaded at such ports in that year were as follows: (Information supplied by The Newfoundland Board of Trade).

	<u>Tons</u>
From Halifax, N.S.	40,517
From Saint John, N.B.	5,844
From Montreal, P.Q.	78,434
From Great Lakes Ports	<u>33,000</u>
	157,795

263. It is evident that the services provided by the water carriers are of primary importance, and whatever solution to the transportation problems of Newfoundland may be recommended, nothing should be done so as to place such services in jeopardy.

264. Earlier in this chapter reference was made to the Terms of Union of Newfoundland with Canada and the significance placed on transportation. Sub-sections 2 and 3, section 32, of these Terms, guarantee the Province of Newfoundland generally the same rate structure as that



1
2 on the Maritime mainland.

3 265. While the prevailing rate structure from, to
4 and within Newfoundland is, on the whole, akin to the
5 rate structure of the Maritime mainland, a number of
6 differences of major importance exist between rates and
7 services available on the mainland and those available
8 on the Island of Newfoundland. These differences con-
9 tribute to a serious transportation handicap, which has
10 no aprallel in any other Province of Canada. The
11 differences are listed in summary form as follows:

12 (A) A free pick-up and delivery service is provided on
13 less carload shipments moving between the major
14 centres on the Maritime mainland. No such service
15 is available on less carload shipments moving
16 between stations within Newfoundland nor, for that
17 matter, are less carload shipments moving between
18 Newfoundland and the Maritime mainland accorded
19 such a service.

20 (B) A free pick-up or delivery service is provided at
21 major Maritime mainland centres on less carload
22 shipments either originating or terminating at
23 stations in the Montreal and Quebec City areas and
24 certain additional stations situated between these
25 two areas. No such service is provided at Newfound-
26 land stations on such traffic.

27 (C) A trailer-on-flatcar ("piggyback") service is
28 provided between certain centres in Ontario and
29 Quebec (Montreal, Toronto, etc.), on the one hand,
30



1
2 and a number of points in the Maritime mainland
3 Provinces, on the other. Where such a service is
4 available, shippers are accorded the benefit of a
5 number of rates which vary inversely with the
6 quantity offered. These rates are generally lower
7 than the less carload rates, and in some cases as
8 low as the carload rates. Additional advantages
9 offered through railway piggyback service include
10 free pick-up and delivery, fewer damage claims and
11 improved service.

12 No such services or rates are available to shippers
13 and receivers located in Newfoundland.

14 (D) Between many stations in the Maritime mainland
15 Provinces, less carload shipments are accorded motor
16 truck competitive rates which are somewhat lower
17 than the regular class rates. These rates are
18 commonly referred to as less carload "incentive
19 rates" and, as the name, implies are graduated
20 according to the weight offered.

21 (E) During the hearings of the Royal Commission in
22 St. John's, Nfld., the Government of that Province
23 file Exhibit No. 39, Rules 34 and 35, C.N. Rys.
24 Tariff C.R. 200, C.T.C. E. 1694. These rules
25 contain an extensive list of prohibited and restricted
26 articles which are either not accepted, or accepted
27 only under special conditions, for movement in
28 vessels to, from, or between points in Newfoundland.

29 Canadian National Railways have found it
30 necessary to impose these restrictions because of



the existing facilities and the nature of the operation of handling traffic between Port aux Basques and North Sydney.

The effect of these restrictions is to increase the cost of transportation to shippers and receivers in Newfoundland.

No attempt is being made to elaborate on each of the restrictions. Listed below, however, are particulars concerning a few commodities which will service to illustrate the significance of this matter.

BUILDING BRICK AND TILES

We are informed by a large Maritime shipper of Brick and Tile that these commodities are generally shipped loose to mainland destinations. Brick and Tile for destinations in Newfoundland, on the other hand, are not accepted by the railways unless they are packaged.

Listed below are the different costs to package Brick and Tile for shipment to Newfoundland:

Brick on Pallets	- \$10.00/M
Brick in Cartons with Dividers	- 12.00/M
Brick in Cartons	- 6.25/M
2x12x12 Partition Tile in Cartons	- 30.00/M
3x12x12 " " " "	- 37.00/M
4x12x12 " " " "	- 45.00/M
6x12x12 " " " "	- 62.00/M
8x12x12 " " " "	- 73.00/M
8x5x12 Speedtile " " "	- 42.00/M
4" Blocks in Cartons	- 30.00/M
6" " " "	- 45.00/M
8" " " "	- 60.00/M
10" " " "	- 90.00/M
12" " " "	- 90.00/M
4" Drain Tile in Cartons	- 30.00/Mpcs.
6" " " "	- 45.00/Mpcs.



1
2 With the exception of the cost of a certain amount
3 of straw used for mainland consignments which is
4 negligible, the above figures represent the
5 additional cost attributable solely to the packing
6 restrictions imposed on this traffic for Newfound-
7 land.

8 In terms of the annual volume of the Maritime
9 manufacturer who supplied the above data, the cost
10 of packing for Newfoundland customers varies from a
11 low of approximately \$15000 to a high of approx-
12 imately \$20,000.

13 FURNITURE AND MATTRESSES

14 The packing restrictions are as follows:

15 "Furniture will be accepted only in wooden boxes or
16 crates; or in solid or corrugated boxes conforming
17 to the requirements and specifications of Rule 41
18 of Canadian Classification..."

19 "Mattresses must be packed in fibreboard boxes; or
20 in double thickness of heavy paper and double
21 thickness of burlap, securely roped, tied and tagged".

22 We are informed by a large department store located
23 in St. John's that as a result of the above
24 mentioned restrictions, the additional cost to the
25 Newfoundland consumer as compared to a mainland
26 consumer is \$1.25 per Mattress and \$5.00 per Bedroom
27 Suite or Dining Room Suite.

28 MOULDING SAND

29 The acceptance of freight in bulk from the mainland
30



to Newfoundland is prohibited in the railway tariffs. The cost of securing moulding sand in bulk f.o.b. rail cars New York and New Jersey sources of supply is \$4.00 per net ton. This cost advances to \$16.00 per net ton for moulding sand in bags from the same sources of supply.

Because of the prohibition placed against the acceptance of bulk freight moving to Newfoundland, the cost of moulding sand to companies located in Newfoundland is four times greater than that paid by companies located on the mainland before the transportation charges are added.

BULK LIQUIDS

A Newfoundland manufacturer of Paint, in an effort to curtail the cost of securing inbound liquid raw materials, uses containers on flat cars at a considerable saving over the previous method of shipping.

While a saving has been effected, the capital cost of acquiring the necessary bulk-carrying equipment totalled \$79,000. In addition, it should also be noted that the inbound rate advances 54% when the weight of the containers and the return of the empties are taken into consideration. No such capital expenditure or additional costs are incurred by mainland companies using leased tank cars.

266. While the rate structure on Newfoundland traffic is generally the same as that on Maritime mainland traffic,



1
2 it can be seen from the foregoing that there are a
3 number of important differences which are to the dis-
4 advantage of Newfoundland.

5 267. By virtue of Section 32 (3) of the Terms of
6 Union of Newfoundland with Canada the Maritime Freight
7 Rates Act applies to Newfoundland traffic. It is
8 relatively unimportant, however, with regard to goods
9 produced in Newfoundland and moving to Canada west of
10 the Maritimes because a great share of Newfoundland's
11 production, for instance Newsprint, is marketed in
12 foreign countries. In addition, most of the production
13 marketed in Canada west of the Maritimes is moved by
14 water.

15 268. Because of the almost complete lack of
16 secondary industry on the Island, Newfoundland must import
17 most of its necessities from Canada. In the submission
18 presented by the Government of Newfoundland, it was
19 stated that Newfoundland ranks third as a market for
20 Canadian products with annual purchases of three hundred
21 million dollars.

22 269. A large proportion of the traffic moving from
23 the Canadian mainland to Newfoundland originates in the
24 Provinces of Quebec and Ontario. Because of the com-
25 petition offered by the water carriers, the railways
26 maintain competitive rates from Ontario points (Kingston
27 and west) and to a very limited degree from Quebec points
28 which are lower than the rates that would otherwise
29 apply. These competitive rates apply to the Ports of
30



St. John's on the east coast and Corner Brook on the west coast from April 1st to November 30th of each year, roughly corresponding to the season of open navigation on the Great Lakes.

270. Although these competitive rates only apply during eight months of the year and are restricted to traffic destined to St. John's and Corner Brook, they are of the utmost importance to Newfoundland receivers.

271. In the submission of the Government of Newfoundland to the Royal Commission it was recommended that these competitive rates be made applicable on a year round basis. The Maritimes Transportation Commission wishes to emphasize this recommendation. The extension of the competitive rates for the remaining four months of the year to points to which they presently apply as well as to points, such as Bay Roberts and Botwood, to which they may be made applicable in the future.

272. The following example will service to illustrate the effect of the competitive rate extension on actual rates at the current rate level:

Class rates from Toronto, Ont. to St. John's, Nfld.

	Classes				
	<u>100</u>	<u>85</u>	<u>70</u>	<u>55</u>	<u>45</u>
Non-competitive*	503	428	352	276	227
Competitive**	433	369	303	239	195



Class rates from Hamilton, Ont. to Corner Brook, Nfld.

Classes

	<u>100</u>	<u>85</u>	<u>70</u>	<u>55</u>	<u>45</u>
Non-competitive*	424	361	297	233	191
Competitive**	359	305	252	198	161

* Effective during period December 1st to March 31st, inclusive

** Effective during period April 1st to November 30th, inclusive.

273. It is not suggested, however, that the railways should be burdened with the loss of revenue attributable to the extension of the competitive rates. It is our submission that they should be reimbursed through a subsidy for any loss of revenue sustained.

274. The mechanics of tariff publication and the administration of the subvention would not present any major difficulties. No new tariffs would be required. These competitive rates, which are clearly distinguishable in the carriers' tariffs now, could be extended by merely removing the symbol denoting their expiry date. During the period December 1st to March 31st of each year the railways could make a tabulation of the revenue actually obtained and the revenue that would have been received but for the extension of the rates. This procedure is similar to that required by the Freight Rates Reduction Act but would, because of the smaller volume of traffic involved, entail considerably less work.

275. While the extension of the competitive rates on an all year basis would be of considerable assistance



1
2 to Corner Brook and St. John's, little would be gained
3 by other centres in Newfoundland. Very few competitive
4 rates are available to these other centres and virtually
5 everything shipped moves at ceiling rates.

6 276. This traffic is normally routed via North
7 Sydney and Port aux Basques and has to traverse an
8 unproductive water gap of 108 miles. Although it is,
9 by virtue of the Terms of Union (Section 32, Sub-section
10 2), treated as an all-rail movement, the distance is
11 reflected in the applicable rates.

12 277. The physical characteristics of this movement
13 have been dealt with earlier in this chapter. It is
14 readily apparent that the haul of 108 miles must, under
15 such circumstances, be slower, more cumbersome and more
16 susceptible to damage and loss of goods than an equivalent
17 rail haul on the mainland. In addition, restrictions
18 and prohibitions on traffic carried and the absence of
19 competitive means of transportation, place a burden on
20 the Newfoundland receiver which is not placed on any
21 other receiver of rail freight in Canada.

22 278. It is the respectful submission of the
23 Maritimes Transportation Commission that the Newfoundland
24 receiver should be given compensation for the burden
25 attributable to the water haul from North Sydney to Port
26 aux Basques.

27 279. A feasible method of compensating him would be
28 the removal of the effect of the water haul from the
29 rates by way of a subvention. This can be done as
30 follows:



- (A) Reduce rail rates on traffic originating at points on the Canadian mainland and moving to Newfoundland at non-competitive all rail rates (via North Sydney) by the amount of the rate earned on the portion of the haul across the Cabot Strait (North Sydney to Port aux Basques, 108 miles).
- (B) The same amount of reduction to be made applicable to traffic described in paragraph (A) moving at through rail-water non-competitive rates via Montreal, Que., Saint John, N.B. and Halifax, N.S. which are related to the all rail rates via North Sydney.
- (C) The minimum rate payable to be the rate applicable from North Sydney to Port aux Basques.
- (D) Compensate the railways for any shrinkage due to (A) and (B) above by a subvention.

280. The exact method of reducing individual rates can best be explained by way of the following examples:

Class Rates from Montreal, Que. to Port aux Basques, Nfld.

Total distance - 1,024 miles
Cabot Strait distance - 108 miles
108 miles is 10.5% of 1,024 miles.

Classes

	100	85	70	55	45
Present Rates	<u>296</u>	<u>252</u>	<u>207</u>	<u>163</u>	<u>133</u>
Less 10.5%	31	26	22	17	14
Reduced Rates	265	226	185	146	119



Class Rates from Toronto, Ont. to Grand Falls, Nfld.

Total distance - 1,626 miles
Cabot Strait distance - 108 miles
108 miles is 6.6% of 1,626 miles

Classes

	<u>100</u>	<u>85</u>	<u>70</u>	<u>55</u>	<u>45</u>
Present Rates	448	381	314	246	202
Less 6.6%	30	25	21	16	13
Reduced Rates	418	356	293	230	189

281. The most effective method of implementing the plan might be along similar lines as the Maritime Freight Rates Act. This, it is submitted, would not place an undue burden on the railways. The initial phase of tariff revision would, of course, involve a certain amount of detailed work; the routine task, however, of maintaining the plan should not be onerous.

282. The importance of the water carriers as an alternative means of moving goods to and from Newfoundland has already been stressed. The implementation of the subventions suggested should not have any appreciable affect on the competitive position of the water carriers.

283. The water carriers providing a service between St. Lawrence River and Great Lake Ports, on the one hand, and St. John's and Corner Brook, on the other, discontinue these activities during the winter months because of weather and ice conditions. The extension of the competitive rail rates during this period, therefore, should not interfere with the competitive position of the water carriers.

284. The reduction of non-competitive rates by the



1
2 amount of the rate earned on the portion of the haul
3 across the Cabot Strait suggests no harm to the water
4 carriers.

5 285. In the submission of the Government of New-
6 foundland presented to the Royal Commission at the
7 hearings held at St. John's, Nfld., on November 17, 1959,
8 it was suggested that one way of overcoming many of the
9 difficulties encountered by shippers and receivers in
10 Newfoundland would be the provisions of a rail car ferry
11 to operate between Port aux Basques and North Sydney.
12 It was also mentioned that such a ferry would require the
13 laying of a third rail at Port aux Basques with the
14 necessary facilities to tranship from standard to narrow
15 gauge cars. This would at least allow for the movement
16 of freight in bulk across Cabot Strait which cannot be
17 made with the existing facilities. It would, however,
18 still entail a transshipment operation at Port aux Basques.

19 286. Another suggestion which deserves the most
20 careful consideration is the provision of a container
21 ship suitable for the carriage of containers, highway
22 trailers, automobiles and passengers between an east
23 coast mainland port, such as Halifax, and a port on the
24 east coast of Newfoundland, such as St. John's or
25 Argentia. This would remove much of the disparity between
26 Newfoundland's transportation situation and that which
27 prevails on the Canadian mainland.

28 287. Unlike navigation conditions between Port aux
29 Basques and North Sydney, the water gap between Halifax
30



1
2 and the east coast of Newfoundland is ice free through-
3 out the entire year. A container ship for this route,
4 therefore, would not require a reinforced hull and
5 special propulsion machinery for ice breaking purposes.

6 288. There are a number of container operations in
7 existence both in Europe and on this Continent which are
8 generally of the type described. Several of these
9 operations are used in United States coastal trade. For
10 instance, between New York, N.Y. and Houston, Texas,
11 such a service is provided by Grace Line.

12 289. Trailer and container ships also ply extensively
13 between England and the Continent, England and Ireland
14 and, in this hemisphere, between New York and Venezuela
15 and between New York and Puerto Rico.

16 290. Tonnage figures for the latter operation may
17 be of some interest. "In its first full year of con-
18 tainer ship operation, 1957, Pan Atlantic hauled 227,000
19 tons of cargo. Last year this volume boomed to
20 1,068,000 tons." (Port of New York Authority, Via Port
21 of New York", March 1960, p. 4) By contract, the total
22 1959 tonnage which moved to Newfoundland both via the
23 North Sydney-Port aux Basques and the all-water routes
24 was estimated as being in the neighbourhood of 550,000
25 tons. The respective sailing distances in nautical miles
26 are: New York to San Juan, Puerto Rico: 1399; Halifax
27 to St. John's: 531.

28 291. With the increasing use of specially construct-
29 ed containers and highway vehicles for moving both liquid
30



1
2 and dry materials in bulk, a container ship capable of
3 handling an adequate number of containers and truck
4 trailers might provide the most economical means of
5 moving such materials to and from Newfoundland. Similarly,
6 general merchandise handled in large containers and
7 highway trailers could be moved to Newfoundland without
8 transshipment, thus reducing to a minimum damage,
9 pilferage and loss.

10 292. As has been pointed out, the transportation
11 situation of Newfoundland is unique and requires for its
12 improvement solutions which will assure the Island a
13 transportation environment as nearly comparable as
14 possible to that of the Canadian mainland. It is
15 respectfully submitted that the adoption of the recommen-
16 dations made in this brief would be conducive to that
17 goal.

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CHAPTER V

THE RAILWAYS AND CANADIAN ATLANTIC PORTS

293. The securing of the maximum volume of export and import traffic through Canadian Atlantic ports has always been of importance to the Atlantic Provinces because of the vital position these ports occupy in the regional economy.

294. Indeed, as this submission has already pointed out, one of the expected results of Confederation and the building of the Intercolonial Railway was to channel the trade and traffic of the Central and Western Provinces through Maritime ports, particularly during the period when the St. Lawrence River was icebound.

295. Both the Federal Government and the Railways have endeavoured to encourage Canada's export and import traffic to flow through Canadian channels. One of the most recent expressions of national policy with regard to exports is the Canadian National Railways Act, 1955 (Chap. 29, 3-4 Elizabeth II) which contains the following Section:

"21. The Board of Directors shall so direct, provide and procure that all freight destined for export by sea that is consigned within Canada for carriage to National Railways either at point of origin or between that and the sea shall, unless it has been be its shippers specifically routed otherwise, be exported through Canadian seaports."

296. In the case of imports, the Federal Government has encouraged such traffic to flow through Canadian ports



1
2 by providing a lower rate of duty on goods from United
3 Kingdom and other Commonwealth countries when such goods
4 are imported through a Canadian sea or river port.

5 297. The railways have encouraged export and import
6 traffic through Canadian Atlantic Ports by participating
7 in the so-called "Port Parity Rate Structure". This
8 rate structure was developed following bitter rate wars
9 between railways serving the United States Atlantic Ports.
10 The Port Parity Rate Structure generally equalizes rates
11 as between certain ports and provides recognized differ-
12 entials between others. (For a history of the Port Parity
13 Rate Structure See Appendix B of 95 I.C.C. 539, Maritime
14 Association, Boston Chamber of Commerce v. A.A.R.R. Co.)
15 To enable the ports and the railways serving them to
16 share in this traffic, the Port Parity Rate Structure
17 was made applicable to Canadian North Atlantic and St.
18 Lawrence River ports as well.

19 298. The application of this rate structure to
20 Canadian ports means that the rates between say, Toronto
21 and Halifax or Saint John are identical with the rates
22 between Toronto and New York despite the greater
23 distances involved to Canadian Atlantic Ports.

24 299. Because inland transportation charges from and
25 to points in Ontario and Quebec are generally lower in
26 the case of St. Lawrence River ports than they are in
27 the case of Canadian Atlantic Ports, export and import
28 traffic tends to use the St. Lawrence ports when they
29 are open for navigation. These lower inland charges are
30



brought about by the following two factors which defeat the port Parity Rate Structure: (1) the existence of more intense truck and water competition from and to the St. Lawrence ports than from and to the Canadian Atlantic Ports and (2) the provision that domestic rates plus terminals may apply instead of the export and import rates if they make a lower total charge.

300. Despite the efforts of both Government and Railways, substantial volumes of export and import traffic flow through United States ports.

301. It is true that the facilities of Halifax and Saint John are utilized principally during the period when the St. Lawrence River is icebound. This means that for two thirds of the year the capital investment of the Federal Government in these National Ports lies practically idle.

302. It is the fear of the Atlantic Region that the utilization of these facilities may still be further decreased by two developments, namely, (1) Winter Navigation on the St. Lawrence River and (2) the Inability of the Port parity Rate Structure by itself to assure the maximum volume of Export and Import traffic through Canadian ports.

303. These two developments will be discussed now.

(1) Winter Navigation on the St. Lawrence River

304. The Atlantic Ports of Halifax and Saint John have watched with apprehension the introduction of numerous winter sailings between overseas ports and St.



1
2 Lawrence River Ports during the Winter of 1959-60.

3 305. According to press reports, twenty-two ocean-
4 going vessels docked at Quebec, P.Q. between mid-
5 December, 1959 and mid-March, 1960. These twenty-two
6 vessels discharged 72,000 tons of import cargo and loaded
7 102,000 tons of export cargo at that Port. Beside the
8 cargo unloaded at Quebec, P.Q., the M.V. "Eskimo" docked
9 at Trois Rivieres, P.Q. on January 4, 1960 with a cargo
10 of 4,500 tons of Steel and 800 tons of General Merchandise.
11 The Steel cargo was for Montreal's Place Ville Marie
12 Project.

13 306. These tonnages could be considered as losses
14 to the ports of Halifax, N.S. and Saint John, N.B.
15 To quite some extent they also represent losses to the
16 railways.

17 307. The St. Lawrence River ports are within easy
18 trucking distances of the major centers in Ontario and
19 Quebec. Cargo moving through these ports is, therefore,
20 subject to intense carrier competition. Thus it is not
21 as securely rail-bound as it would have been, if it had
22 moved via the Atlantic Ports of Halifax and Saint John.

23 308. The railways may, therefore, sustain a loss
24 in one of two ways: First, if the traffic is competitive
25 with highway transport, the railways may have to reduce
26 their rates and shrink their revenues considerably to
27 prevent the traffic from moving by highway carriers.
28 Second, notwithstanding reduced rates, the cargo may
29 still be lost to highway transport, thus resulting in
30



the loss of that revenue which the cargo would have generated, if it had moved by rail.

309. In the case of the 4,500 tons of Steel which the M.V. "Eskimo" discharged at Trois Rivieres, P.Q., it is understood that only a small portion of this cargo moved by rail to Montreal, P.Q. even though the Canadian Pacific Railway endeavoured to meet highway competition by establishing a rate of 36 cents per 100 lbs. It is interesting to note that the regular rate on that steel would have been $61\frac{1}{2}$ cents per 100 lbs. at the time the traffic moved.

310. The following table shows that the railways' revenue on the 4,500 tons of Steel for the movement from Trois Rivieres, P.Q. to Montreal, P.Q. would be approximately \$45,000 less than if the railways had carried the cargo from either Halifax or Saint John.

TABLE 7

1. From: Halifax, N.S. or St. John Rail Rate	To: Montreal, P.Q. 4,500 tons Stell at 86 cents per 100 lbs. \$77,400.00
National Harbours Board Top Wharfage Surcharge	4,500 tons at 4 cents per ton 180.00
	\$77,580.00
2. From: Trois Rivieres, P.Q. Rail Rate	To: Montreal, P.Q. 4,500 tons Stell at 36 cents per 100 lbs. \$32,400.00
	\$32,400.00
3. Minimum Loss of Revenue to the Railways	\$45,180.00

311. Since only a small portion of this cargo moved by rail, the loss to the railways is considerably greater



1
2 than that shown above.

3 312. There is no doubt that Winter Navigation on
4 the lower St. Lawrence River is of benefit to that
5 Region of Canada. The Ports of Halifax and Saint John
6 are concerned, however, that any growth in the movement
7 of export and import cargoes through St. Lawrence Ports
8 during the winter months will result in a distinct loss
9 of traffic to the ports of Halifax and Saint John as
10 well as to the railways.

11 313. It is respectfully recommended that a national
12 policy of port utilization should be developed which will
13 assure that the Atlantic Ports of Halifax and Saint John
14 will participate to the fullest extent in the export and
15 import trade of Canada.

16 (2) The inability of the Port Parity Rate Structure
17 by Itself to Assure the Maximum Volume of
18 Export and Import Traffic Through Canadian Ports

19 314. As pointed out earlier, the Port Parity Rate
20 Structure has provided the same rates between Canadian
21 Atlantic Ports and Central Canada as those available from
22 and to United States ports such as New York.

23 315. The Ports of Halifax and Saint John are
24 concerned that the Port Parity Rate Structure by itself
25 can no longer guarantee that Canadian export and import
26 traffic will flow through Canadian channels.

27 316. The diversion of Canadian traffic through
28 United States ports is not substantial in the case of
29 imports from United Kingdom and other Commonwealth
30



Countries. The operation of the British Preferential Tariff, which provides a lower rate of duty on such goods when imported through Canadian ports, has apparently been incentive enough to secure much of this movement for Canadian channels.

317. It is obvious that if a substantial portion of the Canadian traffic presently moving through United States ports could be regained for Canadian Ports, it would mean much to the economies of the ports concerned.

318. The Governments of the Atlantic Provinces have recognized the importance of utilizing the Atlantic Ports more fully. For instance, at the Conference of the Premiers of these Provinces held in Charlottetown, P.E.I. on September 23rd and 24th, 1957, the following resolution was unanimously adopted:

"WHEREAS the aggregate dollar value of Canadian overseas exports and imports not routed through Canadian ports in 1955, the latest year for which complete statistics are available, was \$350,000,000; and

WHEREAS the situation is one of particular concern to the Provinces of the Atlantic Region; and

WHEREAS the British Preferential Tariff, which provides a lower rate of import duty on goods routed through a Canadian Sea or River Port, has proved to be an incentive which has resulted in almost all imports from the United Kingdom and other Commonwealth countries being shipped through Canadian ports;



1
2 BE IT THEREFORE RESOLVED that this conference of
3 the Premiers of the Atlantic Provinces urge the
4 federal government to join with the Atlantic
5 Provinces in studying without delay the possibility
6 of providing appropriate incentives to Canadian
7 exporters and Canadian importers from non-Common-
8 wealth countries designed to channel the maximum
9 volume of export and import traffic through Canadian
10 Ports."

11 319. It is the respectful submission of the Maritimes
12 Transportation Commission that a way must be found to
13 secure the maximum volume of Canadian export and import
14 traffic for Canadian ports. Such traffic would benefit
15 the economies of the immediate port areas and overflow
16 into the hinterland of these ports. Increased export
17 and import traffic through Canadian ports would also
18 add to the volume of traffic handled by the railways.

19 320. The Maritimes Transportation Commission,
20 therefore, respectfully urges the Royal Commission on
21 Transportation to formulate incentives along the lines
22 of those envisaged by the above resolution. If the
23 Commission should, however, conclude that it cannot do
24 so within the scope of its investigation, it is respect-
25 fully submitted that it recommend the formulation of
26 such incentives by appropriate agencies of the Federal
27 Government.
28
29
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CHAPTER VI

HORIZONTAL FREIGHT RATE INCREASES

321. The question of general freight rate percentage increases, commonly known as horizontal rate increases, has been of concern to the Atlantic and Western Provinces during the post-war years.

322. As this submission has already pointed out, the post-war freight rate increases have borne heavily on the Atlantic economy because of the method of applying them horizontally. They have been one of the factors contributing to the widening of the transportation rate gap between the long-haul Atlantic producers and his short-haul Central Canadian counterpart.

323. The distortion in rate relationships has not been caused solely by horizontal rate increases. Competitive rate reductions and rate hold-downs elsewhere in Canada and not matched in the Atlantic Provinces have also contributed to rate distortions. Attempts by the Atlantic Provinces to attack these two factors singly have failed.

325. Horizontal rate increases have been opposed by shippers and consignees because of the disturbance in cents per 100 lbs. or other unit created in the relationship between their freight costs and those of the short-haul shippers and consignees.

325. An illustration of the pure effect of horizontal rate increases is found in the rate history on Wall Plaster in Appendix V. In this case, none of the rates have been subject to competitive rate reductions or hold-



1
2 downs. The rates from both Hillsboro, N.B. and Montreal,
3 P.Q. have been increased by the same percentages. The
4 only adjustment made in one rate and not in the other
5 was the reduction in the Hillsboro, N.B. rate on July 1,
6 1957 when the Maritime Freight Rates Act subvention was
7 increased.

8 326. The post-war horizontal rate advances have
9 resulted in an increase of 31 cents in the Montreal,
10 P.Q. rate. On the other hand, these same horizontal
11 increases have raised the Hillsboro, N.B. rate by 43
12 cents or 12 cents more than the Montreal, P.Q. rate.
13 Had it not been for the additional Maritime Freight
14 Rates Act subvention, the Hillsboro, N.B. rate would
15 have risen to 46 cents or 15 cents more than the
16 Montreal, P.Q. rate.

17 327. From this rate history it can be seen that the
18 horizontal rate increases have been responsible for
19 widening the rate difference from 11 cents in 1927 to
20 23 cents on December 1, 1958. If it had not been for
21 the increases in the Maritime Freight Rates Act on July
22 1, 1957, this rate difference would have been 26 cents.

23 328. The opponents of the horizontal percentage
24 increases point out that such increases accentuate
25 existing rate disparities, worsen the situation of the
26 long-haul shipper and are based on the erroneous assump-
27 tion that all commodities and movements can bear the
28 same percentage freight rate increases.

29 329. On the other hand, the railways have argued
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2 that horizontal percentage increases are the only
3 satisfactory method of dealing with general revenue cases
4 and of distributing the burden equitably. Alternative
5 methods are said to favour the more distant shipper and
6 to disturb competitive relationships between various
7 producers.

8 330. It is doubtful that horizontal percentage
9 increases distribute the burden equitably and maintain
10 competitive relationships between various producers.
11 In fact, the exact opposite appears to be the result of
12 such advances under the present method.

13 331. As has been shown earlier in this submission,
14 certain traffic has the ability to escape in part or in
15 full a general rate increase. This has meant that
16 traffic which does not have this ability must bear a
17 greater share of the increase and the burden is, there-
18 fore, not distributed equitably.

19 332. Likewise, when one producer's traffic can escape
20 the rate increase and another producer's traffic cannot,
21 the competitive relationship between various producers
22 is not maintained.

23 333. Because all traffic is not subject to the same
24 rate advance, the present method is no longer a "pure"
25 horizontal rate increase. It is in effect one which gives
26 hold-downs to shippers whose traffic is subject to intense
27 competition. As is evident from Appendices VI to VIII to
28 this submission, the traffic favoured with such hold-downs
29 consists chiefly of short-haul movements. Thus the impact
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2 of the present method on the long-haul shipper is greater
3 than it would have been had a "pure" horizontal increase
4 been imposed.

5 334. Criticism of the horizontal method of raising
6 railway freight rates by a uniform percentage in Canada
7 has not been confined to Government spokesmen, shippers,
8 receivers and trade groups.

9 335. In fact, the Royal Commission on Maritime
10 Claims (Duncan Commission) came out strongly against
11 horizontal increases in its 1926 report. "By the mere
12 operation of railway increases - and having no relation
13 to other business considerations - the burden which the
14 Trenton (N.S.) plant has to meet now as compared with a
15 Hamilton plant is much greater in money than it was
16 formerly.The railway administration, in giving
17 evidence before us, agreed that long-distance traffic,
18 particularly heavy traffic has been seriously prejudiced
19 by the operation of the horizontal increases. (Royal
20 Commission on Maritime Claims, 1926, p. 26).

21 336. An exhaustive review of the general rate
22 increase decisions of the Board of Transport Commissioners
23 and its predecessor, the Board of Railway Commissioners,
24 was made by the Turgon Royal Commission on Transportation.
25 That Commission found that in the cases before World War
26 II a substantial number of exceptions to uniform percen-
27 tage increases were made. Following World War II, however,
28 less use has been made by the Board of Transport
29 Commissioners of requiring departures from the method of
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1
2 increasing rates by uniform percentages, although some
3 exceptions have been made (e.g. Coal and Coke rate
4 increases have been in cents per ton; Potatoes, in one
5 of the general rate increase cases, took a lesser
6 percentage increase than was authorized for other com-
7 modities; and on Cordwood, Edgings, Mill Refuse and Slabs,
8 used for fuel only, a maximum increase of 2 cents per
9 100 lbs. was prescribed in one of the general rate
10 increase cases).

11 337. The Turgeon Commission, too, scored the hori-
12 zontal method of applying freight rate increases but it
13 did not feel that it should recommend statutory or
14 other prohibition of such increases. Rather, the
15 Commissioners said the remedy was in the hands of the
16 railways themselves. If the railways should fail to
17 make appropriate allowances for certain types of traffic
18 then, the Royal Commission said, "it ought to be the duty
19 of the Board to see that they do so." (Report of Royal
20 Commission on Transportation, 1951, Page 61)

21 338. The practice in the United States has been
22 different. There, the Interstate Commerce Commission has
23 consistently required the observance of maximum limitations
24 on rate increases for a variety of products. Also, the
25 Interstate Commerce Commission has repeatedly authorized
26 lower percentage increases for some regions than for
27 others and has often made certain inter-regional rate
28 increases lower than those applying with the region.

29 339. The effects of horizontal rate increases are
30 accentuated under present day conditions because a



substantial amount of traffic has the ability to escape, either in part or in full, from a general rate advance.

340. During the post-war years, as more and more traffic became able to escape the general rate increases, the base which had to support revenue requirements became narrower and narrower. In effect this meant that a greater percentage increase on the narrower base was necessary, if the revenue needs of the railways were to be met. It meant also that, as the percentage increases became greater, their impact on traffic subject to them became heavier.

341. Various alternatives to horizontal rate increases have been suggested. Among them are the following:

(1) A Lower percentage increase on specific commodities

(2) A uniform percentage increase with maximum limitations where the resultant increase is higher than a stipulated amount.

(3) A flat amount in cents per 100 lbs. for all commodities and classes of freight.

(4) Varying flat amounts in cents per 100 lbs. on stipulated commodities.

(5) A lower percentage increase in traffic to and from some regions than applicable within the regions.

(6) A combination of a percentage increase and a flat amount in cents per 100 lbs.



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2 342. Any of the above alternatives, either singly
3 or in combination with one another, would tend to lessen
4 the impact of horizontal rate increases on long-haul
5 traffic and/or specific commodities.

6 343. Any alternative formula which would produce
7 a lesser increase on long-haul traffic and/or specific
8 commodities must at the same time secure for the railways
9 their revenue requirements. For an alternative formula
10 to be workable, therefore, the answer to the following
11 question must be in the affirmative: Will the alternative
12 formula enable the railways to obtain from other commodi-
13 ties and movements the revenue which they will be forced
14 to forego on commodities and movements which, because
15 of the alternative formula, are subject to a lesser
16 increase than that produced by the horizontal formula?

17 344. Another point which must be taken into account
18 in any analysis of the problem posed by horizontal
19 increases is the size of the increase. This was fully
20 recognized by the Turgeon Royal Commission on Transpor-
21 tation in its Report: "It is the sudden shock to the
22 economy caused by large horizontal increases that raises
23 the problem, and the fact should receive the close
24 attention of both the railways and the Board." (Report
25 of the Royal Commission on Transportation (1951) P.62)

26 345. Large horizontal increases are also one of
27 the factors increasing the attrition and erosion of
28 railway revenue. For instance, in 1958 during the 19%
29 Freight Rates Case, Mr. C. D. Edsforth, then General
30



1
2 Traffic Manager, Canadian Pacific Railway Company, in
3 explaining an anticipated attrition factor of 50% in
4 competitive traffic, said: "Weight was also given to the
5 fact that the increase proposed is 19%." (Transcript
6 of Evidence, 19% Interim Increase in Freight Rates Case
7 October 7, 1958, Vol. 1029. P. 8387.)

8 346. The obvious inference is that the attrition
9 factor would have been less, had the requested increased
10 been less.

11 347. In effect, then, the larger the increase needed,
12 the greater the erosion and attrition will be. But, at
13 the same time, the greater erosion and attrition factors
14 will, in themselves, raise the percentage by which rates
15 must be increased to yield the required revenue.

16 348. This would suggest that a solution to the
17 problem of horizontal rate increases should be coupled
18 with a solution to the problem posed by the necessity
19 of recovering revenue requirements from an ever narrowing
20 base of traffic.

21 349. It is apparent from what has been said earlier
22 in this submission that the effects of the post-war rate
23 increases have been accentuated by hold-downs and exemp-
24 tions from rate advances on predominantly short-haul
25 competitive traffic. If these increases had been "pure"
26 horizontal rate advances, their impact on long-haul
27 traffic and/or specific commodities would not have been
28 as severe.

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2 350. As indicated in the Introduction, this sub-
3 mission has concerned itself only with some of the
4 transportation problems which are considered vital to the
5 Atlantic Provinces.

6 351. The very valid and important submission
7 received by the Royal Commission during its Atlantic
8 Provinces hearings dealt with many other matters of the
9 utmost importance.

10 352. The Maritimes Transportation Commission expects
11 to comment, during the further proceedings of the Royal
12 Commission, on other matters of importance to the inves-
13 tigation as such matters arise from the submissions of
14 other interested parties.

15 353. The Maritimes Transportation Commission hopes
16 that the foregoing will be of some assistance to the
17 royal Commission in its deliberations.

18 Respectfully submitted,

19 THE MARITIMES TRANSPORTATION COMMISSION.

20 A. Murray MacKay,
21 Chairman.

22 Ottawa, Canada
23 September 12, 1960.

F. D. Smith, Q.C.,
Of Counsel.

For Q. 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100

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ON

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NO EXHIBITS IN THIS VOLUME



ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in
the Court Room, Board of Trans-
port Commissioners Offices,
Ottawa, Ontario, on the 13th day
of September, 1960.

COMMISSION

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Ottawa, Ontario,
Tuesday,
September 13, 1960

---On commencing at 10.00 a.m.

THE CHAIRMAN: Order, please.

MR. SMITH: Mr. Chairman, before the examination begins I would like to add that Mr. Ramsay Armitage of the staff of the Maritimes Transportation Commission is associated with me in the presentation of these submissions.

CROSS-EXAMINATION BY MR. COOPER:

Q. Mr. Dickson, you will no doubt agree with me that the most important proposal put forward in the submission of the Maritimes Transportation Commission is the proposal for revision of the Maritime Freight Rates Act?

MR. DICKSON: Yes, Mr. Cooper, that is the most important point because it is the one that covers all the Atlantic provinces.

Q. I wish to understand clearly, Mr. Dickson, the reasons advanced to support the proposal for such a revision. I am going to put those reasons to you and please correct me if I am wrong in stating as I understand it there are two reasons put forward, and for the first I might refer you to paragraphs 52 and 53 on page 17.

I am going to read those paragraphs:

The commercial purpose bearing on the con-



struction and operation of the Intercolonial Railway was to afford maritime industry access to the whole Canadian market, to paraphrase the Duncan Commission. In furtherance of this purpose a policy of similar but lower rates was adopted for traffic movements over the Intercolonial Railway, a policy accorded statutory recognition in 1927 by the enactment of the Maritime Freight Rates Act.

It follows, therefore, that any assessment of the Maritime Freight Rates Act today must be concerned with the Act in relation to original government policy regarding rates on the Intercolonial on which it is based, i.e., the purpose of the Intercolonial Railway. The pertinent question to be discussed in this chapter is, therefore: How effective is the Maritime Freight Rates Act today in following the purpose of the Intercolonial Railway?"

As I understand it, then, the first reason for revision is that the purpose of the Intercolonial Railway, as you have defined it in paragraph 52, has been defeated or vitiated since 1927?

MR. DICKSON: Yes, those two paragraphs are the historical part of our case. Our case, as you have stated it there, is based on the history that ---

Q. The first reason, then, is an historical reason?

MR. DICKSON: That is right.

Q. Based on historical promises?

MR. DICKSON: Yes, promised at Confederation and



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2 I refer you for this reason to paragraph 159 through
3 162 on pages 38 and 39. I am going to read those
4 paragraphs so that we will have it here:

5 "Historically, therefore, there is ample
6 precedent for a de-emphasis of distance as a factor
7 in rate making on Atlantic provinces traffic.
8 The maritime case for a de-emphasis of distance
9 does not, however, rest on historical precedent
10 alone. It is based equally firmly on the
11 recognition that transportation has a signifi-
12 cant role to play in raising the economy of
13 the Atlantic Region to the level of the other
14 regions of Canada."

15 Then, I may just refer to paragraph 160 which, in turn,
16 refers to Appendix IX of the submission, and then I
17 shall read paragraphs 161 and 162:

18 "It is the respectful submission of the
19 Maritimes Transportation Commission that, just
20 as in the past transportation has been used
21 as an instrument of public policy in the case of
22 the maritimes, it should again be so used today
23 as an integral part of any measures which must
24 be taken to eliminate the general income dif-
25 ferentials between the Atlantic provinces and
26 other parts of Canada. "

27 And then perhaps in paragraph 162 your two approaches
28 to this problem, or two reasons, are stated:

29 "The Atlantic provinces are firmly
30 convinced that historical precedent and present



1
2 need require the de-emphasis of distance as a
3 factor in rate making on their traffic."

4 MR. DICKSON: Yes, Mr. Cooper, that is the
5 case of the Maritimes Transportation Commission --
6 historical precedent and the present economic need
7 requires today and for the future, as long as the
8 economic need exists, the de-emphasis of distance in
9 rates on traffic moving from the Atlantic provinces.

10 Q. And those two reasons, do you say, are
11 of equal importance in your submission to the Commission?

12 MR. DICKSON: It is hard to put a quality
13 on either one of them. They are both very important.

14 Q. Would you say that one is independent of
15 the other? Each one stands on its own feet?

16 MR. DICKSON: No, I think they must
17 be connected.

18 Q. But one -- am I correct in thinking that
19 one, nevertheless, is perhaps an alternative to the
20 other? In other words, have you got two prongs to
21 this application, each one standing separately, or is
22 it all one reason -- different facets of the same thing?

23 MR. DICKSON: We have based our case on the
24 two prongs, and I would think that both of these
25 factors must be considered in connection with our
26 case.

27 Q. All right, Mr. Dickson. You mention
28 throughout the submission representations of the
29 maritimes which were made to the Turgeon Commission ---

30 MR. DICKSON: Yes.



1
2 Q. --- with respect to a proposed revision
3 at that time in the Maritime Freight Rates Act. Was
4 the second reason which you advanced in this submission
5 urged before the Turgeon Commission, or is this something
6 new?

7 MR. DICKSON: Our submission before the
8 Turgeon Commission did discuss the economy of the
9 region, but I think that we are emphasizing it more
10 strongly today.

11 Since the Turgeon Commission, the economy of
12 the region has further fallen behind that of the rest of
13 Canada, and we therefore wanted to bring its economic
14 situation to the attention of the Commission as
15 forcefully as we could.

16 THE CHAIRMAN: It is a matter of emphasis.

17 MR. DICKSON: Yes, Mr. Chairman, it might
18 be.

19 MR. COOPER: Q. Am I correct in my under-
20 standing, Mr. Dickson, that the Maritimes Transportation
21 Commission then considers that the lagging economic
22 growth of the Atlantic area, as illustrated by
23 Appendix IX, can be and should be stimulated by a re-
24 vision to the Maritime Freight Rates Act such as you
25 propose?

26 MR. DICKSON: Yes, that is correct, Mr.
27 Cooper.

28 Q. And that, I take it, involves, then,
29 the use of the freight rate structure as an instrument
30 of national policy?



1
2 MR. DICKSON: In the case of the maritimes,
3 yes.

4 Q. I turn now, Mr. Dickson, to Chapter 2,
5 and I want to deal with some points which emerge from
6 that chapter.

7 That chapter commences on page 17, and I
8 direct your attention to paragraph 70 on page 20:

9 "It is interesting to note in passing that
10 at the present time trucking operations are a
11 growing part of the freight service offered by
12 many railways, one of Canada's major railways
13 being the largest truck operator in the country.
14 This is a far cry indeed from the situation a
15 few years ago when truck services were viewed
16 as feeders to the railways."

17 Has the Maritimes Transportation Commission any views
18 as to whether or not the railways should be free to
19 engage in the for-hire trucking industry or should
20 be restricted in any way in engaging in that industry?

21 MR. DICKSON: No, the Commission has not ex-
22 pressed an opinion on that, Mr. Cooper.

23 Q. I refer you to paragraph 80 on page 22.
24 That paragraph reads:

25 "As noted by Dr. Angus, due to the
26 changed nature of the freight rate structure,
27 the railways have shifted to a regional pattern
28 of cross-subsidization in the practical appli-
29 cation of their pricing policy, a policy that
30 has adversely affected regional economies



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respect to traffic moving to and from and within the
maritime territory. I presume that agreed charges are
on the increase? Have you any figures on that at all?

MR. DICKSON: Yes, agreed charges are in-
creasing on maritime traffic. I haven't any figures to
indicate the extent of the increase before me, Mr. Cooper,
but we recognize that there are. Let me express this
clearly: agreed charges are applying on more and more of
the maritime traffic, just the same as agreed charges
are playing a more and more important part in the traffic
on other parts of Canada.

Now, it may be that our agreed charge rate is
not increasing as fast as in other parts of Canada,
but I cannot say with the figures in front of me actually,
but they are increasing.

Q. Would it be correct to say that there
are more competitive rates in the maritimes now than
there has been in the past, and is that trend becoming
more marked? Have you any information on that?

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2 MR. DICKSON: There is an increase in the
3 competitive rates in the Maritimes; but in connection
4 both with competitive rates and agreed charges, I
5 think we must come back to what we said in our brief,
6 that with the mere showing of an agreed charge or
7 the coming into being of an agreed charge or
8 competitive rates doesn't necessarily indicate the
9 extent of the competition.

10 Q. You are referring now to the
11 qualitative factor?

12 MR. DICKSON: Yes, that is right, Mr.
13 Cooper.

14 Q. On page 29, in paragraphs 119 and 121,
15 you touch upon the value of service principle and
16 you say specifically in paragraph 121:

17 "There is no implication that the
18 value-of-service principle is obsolete
19 but, in the face of the new conditions
20 of competition in transportation it has
21 become progressively less able to
22 function effectively so as to ensure
23 the railways sufficient revenues without
24 at the same time working hardships on
25 regional economies."

26 You are no doubt aware, Mr. Dickson, that
27 it has been advocated before this Commission that
28 the method of fixing freight rates by value-of-service
29 be abandoned and replaced by a rate structure
30 governed by cost of service. What are your views



1
2 on that question?

3 MR. DICKSON: I do know, as you suggest,
4 Mr. Cooper, that the cost of service formula has
5 been advanced before this Commission, but I certainly
6 don't feel qualified to comment on it. I think I
7 could, without getting into the details of the cost
8 of service, say this much: that, as we say in our
9 brief, we don't feel the value-of-service principle
10 is obsolete. I think the railway rate structure
11 today is still based on the value-of-service, but
12 perhaps it is becoming cost of service oriented.
13 So it would seem that there may be more room for
14 both the value-of-service and cost of service principle
15 in the rate structure.

16 Q. You do not consider, however, that
17 a new principle based on cost of service or new
18 principles of rate-making based on cost of service
19 should be presently introduced?

20 A. No, I don't think that we should
21 advocate the cost of service principle, that the
22 Maritimes Transportation Commission would advocate the
23 cost of service principle.

24 MR. FRAWLEY: I didn't get the last part of
25 your answer.

26 MR. DICKSON: I don't believe that the
27 Maritimes Transportation Commission would advocate
28 cost of service principle. The proposal put forward
29 by British Columbia has not been discussed by our
30 principals, and perhaps I am commenting on something



1
2 I shouldn't be.

3 MR. COOPER Q: In any event, you have
4 expressed your view.

5 MR. DICKSON: Our view is in paragraph 121,
6 that the value-of-service principle is not obsolete.

7 Q. Thank you, Mr. Dickson.

8 I turn to Chapter III. The first paragraph
9 of Chapter III mentions as the first requirement for
10 a valid revision of the Maritime Freight Rates Act
11 (1):

12 "1. It must be able to bridge the
13 rate gap between Maritime and central
14 Canadian producers in the important
15 market of central Canada."

16 Now, in bridging this rate gap do I understand
17 that no regard actually is paid to length of haul?

18 MR. DICKSON: I am not just sure what you
19 mean there, Mr. Cooper. But the length of haul from
20 the Maritimes would be greater than it is within
21 central Canada. What we are saying is that the
22 rates from the Maritimes to central Canada should be
23 at the same level as those within central Canada.

24 Q. If that rate comes to the same level
25 as the rates in central Canada, is it correct to say,
26 then, that distance as between the two hauls then
27 ceases to be a factor in the rates, practically?

28 MR. DICKSON: Yes. There is perhaps a
29 distinction here. The proposal we are putting forward
30 doesn't provide that the railways must take the same



1
2 rate for the greater distance, but the rate paid by
3 the shipper for the greater distance would be the
4 same as the rate that is paid by the shipper for
5 the lesser distance.

6 Q. As far as the shipper is concerned,
7 the distance factor is eliminated.

8 MR. DICKSON: Yes.

9 COMMISSIONER ANSCOMB: May I ask a question,
10 Mr. Cooper?

11 MR. COOPER: Yes.

12 COMMISSIONER ANSCOMB: I am not quite clear
13 on it; perhaps I am a little dense. Supposing I
14 have a plant in Toronto and I want to ship some steel
15 one hundred miles; I might have a plant in Sydney
16 and have to ship the same steel 1,000 miles. Do
17 you say that the rate paid for the 1,000 miles would
18 be the same as paid for the 100 miles?

19 MR. DICKSON: To make the Sydney rate
20 truly competitive his rate should be identical with
21 the Hamilton one. That, however, is not what we
22 are advocating, Commissioner Anscomb. We are advocating
23 the equating of the two rates on an average, so on
24 those theoretical movements you have suggested it
25 wouldn't necessarily work out that the rate from
26 Sydney would be the same as the rate from Hamilton.

27 THE CHAIRMAN: But you are de-emphasizing
28 distance?

29 MR. DICKSON: Oh, yes, very much so, Mr.
30 Chairman.



1
2 MR. COOPER Q: This de-emphasis of
3 distance, having in mind we are dealing with averages,
4 practically has the effect, so far as the shipper
5 is concerned, of eliminating distance in the haul.

6 MR. DICKSON: On the general average I
7 think it probably would, yes.

8 Q. In paragraph 126 on page 31 you refer
9 to a number of commodities in Appendix V. What
10 considerations governed your selection of the commodities
11 you deal with there in A through G?

12 MR. DICKSON: The commodities used and the
13 points, the shipping and origin points used were
14 based on data we had received from Maritime companies
15 as to their competitors, the location of their
16 competitors, and their important markets.

17 Q. Well, I am just wondering why you
18 took steel bars, electric stoves, wall plaster, and
19 so on, other than other products. Is there any
20 reason?

21 MR. DICKSON: No, no specific reason, other
22 than we felt these were ---

23 THE CHAIRMAN: Typical?

24 MR. DICKSON: Typical, yes; and I suppose
25 other ones perhaps could have been chosen. But these
26 we felt were typical and, as I say, based on data
27 we received from the Maritime companies involved.

28 Q. Did you, in fact, make any calculation
29 similar to those made in Appendix V in connection with
30 other commodities than those you have dealt with in



1
2 that appendix?

3 MR. DICKSON: No, we have not, Mr. Cooper.
4 I think you should realize there is a good deal of
5 work in these appendices, and if we had I think
6 probably there would have been more parts to appendix
7 V.

8 Q. I want to move on to paragraphs 130,
9 131 and 133, where you deal with other carriers, and
10 particularly on page 33, paragraph 131:

11 "While, perhaps, this has not so
12 far handicapped water and highway carriers
13 too seriously, it undoubtedly has had
14 some effect on their ability to compete
15 with the railways."

16 Have you any examples, specific instances
17 which would support that general statement in
18 paragraph 131? Have truckers complained that their
19 competitive position is being affected by the Maritime
20 Freight Rates Act as it presently is in force?

21 MR. DICKSON: Yes, they have.

22 Q. They have complained to the Maritimes
23 Transportation Commission?

24 MR. DICKSON: Yes, and I believe also to the
25 federal government.

26 Q. Do you know whether those complaints
27 are significant in number, or do you know the nature
28 of them specifically?

29 MR. DICKSON: I don't feel qualified to
30 comment on that. The complaints to us were not in the



1
2 form of a - not a formal complaint; just, well, this
3 Maritime Freight Rates Act ---

4 THE CHAIRMAN: They have complained to us
5 as well.

6 MR. DICKSON: Yes, that is right.

7 MR. COOPER Q: Now, in paragraph 152 on
8 page 37 you state:

9 "In order to revise the Maritime
10 Freight Rates Act so that it would
11 bridge the rate difference between
12 Maritime and central Canadian producers
13 in the markets of central Canada, an
14 attempt might be made on hand of the
15 Waybill Analysis to determine the
16 average rate per 100 lbs.,"
17 and so on.

18 Perhaps it is just a matter of English
19 there, but I don't understand that sentence. Perhaps
20 I am missing it entirely. It is the words: "on hand
21 of the Waybill Analysis".

22 MR. DICKSON: It may be the English there,
23 Mr. Cooper. What we mean there is an attempt might
24 be made on data based on the Waybill Analysis to
25 determine the weight per 100 lbs.

26 Q. Paragraph 159 on page 38 I have
27 already referred to. I would take it that you see no
28 difficulty in using the freight rate structure as
29 a means of levelling economic conditions in various
30 regions of Canada.



1
2 MR. DICKSON: No, we feel that the freight
3 rate structure can be used to help raise the economy
4 of the Atlantic region.

5 Q. And your method is a change in the
6 Maritime Freight Rates Act such as you propose?

7 MR. DICKSON: Yes, additional subvention.

8 Q. Table 4 on page 41: would you illustrate
9 that table by taking an actual figure, say, \$1,000.00
10 as being a freight bill for a shipment, let's say from
11 Saint John to Toronto, and apply the percentages to
12 it. Let's say the total bill is \$1,000.00 - not the
13 billed rate but the rate before the 30 per cent
14 reduction under the Maritime Freight Rates Act as it
15 presently stands. Taking that figure, then, of
16 \$1,000.00, would you just give us an illustration of
17 the effect the additional subvention you propose would
18 have on that freight bill?

19 MR. DICKSON: I think, if I understood your
20 question correctly, Mr. Cooper, you said the \$1,000.00
21 represented the amount of money before the present
22 30 per cent is taken off.

23 Q. That is right.

24 MR. DICKSON: Now, it is very difficult,
25 impossible for me to calculate what the shipper would
26 presently pay standing here, because it is based on
27 the portion. But suppose we, for the sake of example,
28 used 15 per cent; that would bring your \$1,000.00 down
29 by 15 per cent.

30 Q. That represents the portion of the haul



1
2 in the select territory.

3 MR. DICKSON: Suppose the portion of the haul
4 within the select territory was half of the total
5 distance, therefore you would take off half of the
6 present subvention from the total rate. So we would
7 reduce the \$1,000.00 by 15 per cent to get the cost
8 paid by the shipper today because of the existence of
9 the 30 per cent subvention. That would bring it down
10 to \$850.00. Then we would apply, based on the 1958
11 Waybill data, a reduction of 31.3 per cent.

12 Q. Make it a third; it would be easier
13 for calculation purposes.

14 MR. DICKSON: That would be another \$250.00
15 roughly.

16 Q. That \$250.00 comes off what figure? You
17 are taking a third of the ---

18 MR. DICKSON: The \$250.00 would be taken off
19 the \$850.00. I am told it is actually \$266.00; so that
20 would reduce the \$850.00 to \$584.00.

21 Q. So with the additional subvention and
22 using the example that we have, the \$1,000.00 freight
23 bill total becomes \$584.00?

24 MR. DICKSON: On that particular example. You
25 might perhaps find it hard to get another one like that.

26 Q. I just wanted to get further information
27 on Table 4 by using figures as an illustration.

28 MR. DICKSON: That is an illustration, yes.

29 COMMISSIONER ANSCOMB: That means that where
30 you have this chap who has to pay \$1,000.00, he gets a



1 discount of 41.6 per cent.

2
3 MR. COOPER: He gets the difference between
4 \$1,000.00 and \$584.00.

5 THE WITNESS: Yes, in that particular example,
6 that is right.

7 MR. COOPER Q: You haven't mentioned intra-
8 Maritime movements. What is the position of your
9 Commission with respect to intra-Maritime movements?
10 To leave the 20 per cent where it is?

11 MR. DICKSON: Yes, that is correct.

12 THE CHAIRMAN: For all carriers?

13 MR. DICKSON: No; we are suggesting no change
14 in the payment of the subvention, the 20 per cent
15 intra-Maritime subvention.

16 THE CHAIRMAN: It would be paid only to the
17 railways?

18 MR. DICKSON: As it is at present.

19 MR. COOPER Q: On your movement from the
20 Maritime territory into eastern territory you would
21 have the additional subventions paid to competing
22 carriers, motor trucks and water carriers, but you
23 would leave those motor truck carriers, for hire
24 people, and the water carriers in the same position
25 as they are now in respect of intra-Maritime movements?

26 MR. DICKSON: I am sorry, I wonder if you
27 would mind repeating that?

28 Q. You brought in the trucking people in
29 movements which would be subject to the additional
30 subvention, but they won't come into intra-Maritime



1
2 movements at all, as I understand?

3 MR. DICKSON: No, that is right.

4 Q. In paragraph 185 on page 43 you refer
5 there to the rate difference measurement which you have
6 used in putting forward your proposal. Now, I know
7 you said yesterday that this rate difference measurement
8 was the best that you were able to devise after long
9 and careful consideration, and I refer to page 14425
10 of yesterday's transcript. But what I want to know is,
11 do you consider any other rate difference measurement
12 or any other method than the one you propose?

13 MR. DICKSON: I think perhaps we should have
14 put it this way, Mr. Cooper. In paragraph 123 of our
15 submission we set out the requirements and then we
16 endeavoured to find some way, some plan to implement
17 those requirements, and this is the plan we have come
18 up with.

19 Q. Did you consider any other plans? Is
20 there any other alternatives that you would wish to
21 bring to the attention of the Commission?

22 MR. DICKSON: Well, in our submission we commented
23 in paragraphs 134 and 135 onward to 142 of two proposals,
24 and those have been considered, as shown in our brief.

25 Q. The other proposal is 100 per cent
26 subventions for movements up to Levis, Diamond Junction.

27 MR. DICKSON: Yes.

28 Q. And paragraph 134? There is no other
29 method possibly not mentioned specifically in your
30 submission which you now wish to bring to the attention



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2 of the Commission?

3 MR. DICKSON: No, there isn't Mr. Cooper.
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2 Q. Do other non-rail carriers handling
3 freight Maritime to eastern under your proposed
4 revision to the Act become entitled to the whole
5 subvention, the 30 per cent, plus the additional
6 subvention proposed, or just to the additional
7 subvention?

8 MR. DICKSON: Just the additional subvention.

9 THE CHAIRMAN: Does that include air?

10 MR. DICKSON: No, as I pointed out yesterday,
11 Mr. Chairman, at the present time we feel air carriers
12 are not an important medium of freight carrying, but
13 I did say that if and when air carriage of freight
14 becomes of the importance that some of our other
15 surface carriers of today are, then perhaps our
16 proposal should be reviewed in that light.

17 THE CHAIRMAN: Yes, I remembered that, but
18 I would think this morning you are generalizing --
19 "all" carriers. However, it does not include air
20 carriers?

21 MR. DICKSON: That is right. Perhaps "all"
22 is a little broad in that particular sense.

23 MR. COOPER: Q: I want to go now to page
24 48, Mr. Dickson, paragraph 207 where you state:

25 "While, therefore, the payment of
26 subventions directly to users of
27 transportation services is attractive,
28 administrative difficulties make it
29 impossible of easy achievement. It
30 would appear, then, that the subvention



1
2 aim is better met if the assistance
3 is paid to the transportation agencies
4 on behalf of those in need of it.
5 If that is done, equality of
6 treatment should be given by the
7 payment of the subvention to all
8 types of for hire carriers."

9 You have just said that would not include
10 air carriers at the present time but might in the
11 future. My question with respect to that paragraph
12 is this, that in so far as payments of subventions
13 to carriers other than the railways are concerned,
14 such payments cannot be justified by historical
15 premise or precedent, or am I correct in that?

16 MR. DICKSON: That is true, I suppose. The
17 earlier years we had practically no other transportation
18 means other than the railways, but today transportation
19 means much more than the railways. It includes the
20 trucking industry, water carriers, and perhaps it may
21 in the future include the air carriage.

22 Q. So, in so far as any justification,
23 if I may use that word, for payment of subventions to
24 for hire carriers other than railways is concerned,
25 such justification cannot be sought in history and
26 precedent -- or, in the precedent of history?

27 MR. DICKSON: Yes, I will go along with that.

28 Q. Table 5 on page 50 you set out an
29 estimate there of the cost in 1905 of the additional
30 subvention on rail carload traffic based on data in



1
2 the 1958 Waybill Analysis. I merely wish to add
3 to those figures the cost of the present Maritime
4 Freight Rates Act payments in 1958 and 1959, and I
5 believe the figure to be 30,150,000?

6 MR. DICKSON: That is right, yes.

7 Q. That is what you paid in 1958 - 1959
8 through the Maritime Freight Rates Act?

9 MR. DICKSON: Actually it is 30,150,750.

10 Q. And I believe that shows in Exhibit
11 20A?

12 MR. DICKSON: That is right.

13 Q. Paragraph 155 on page 37, you mention
14 the Waybill Analysis there and you say:

15 "To the extent, however, that the
16 waybill analysis is reliable, the
17 calculation of average rates on broad
18 categories of traffic such as intra
19 and inter-territorial movements would
20 appear to be justified."

21 Have you any suggestions as to how the
22 Waybill Analysis can be made reliable to a greater
23 extent than it is at present?

24 MR. DICKSON: Perhaps I am going to get
25 into the field of statistics which I don't know too
26 much about.

27 Q. Well, I know less.

28 MR. DICKSON: The larger sample you have,
29 I believe the more reliable it is.

30 Q. Are you just suggesting then there



1
2 should be a larger sample, or are you making any
3 suggestion with respect to the Waybill Analysis?
4 You say there, "to the extent the Waybill Analysis
5 is reliable", which suggests to me you think perhaps
6 it could be made more reliable?

7 MR. DICKSON: By taking a larger sample you
8 would, according to the way I understand the workings
9 of statistics, make a more reliable sample.

10 Q. And that is the only point you have
11 in connection with this?

12 MR. DICKSON: Yes. In that same paragraph
13 we say, "undoubtedly, a larger sample would provide
14 better basic data."

15 THE CHAIRMAN: The one per cent is too low,
16 you think?

17 MR. DICKSON: I think it could be perhaps
18 considered too low. If you go to break it down,
19 well then, the finer you break it down the more
20 unreliable it becomes, so I am told by the people who
21 prepare it in the Board of Transport Commissioners.

22 MR. COOPER Q: You have no other points,
23 then, in connection with the Waybill Analysis other
24 than that?

25 MR. DICKSON: I think we are quite prepared
26 to have our plan based on the one per cent sample.
27 It may be that if there is some question of the
28 validity of the one per cent sample, then a larger
29 sample perhaps could be done for the parts that
30 are considered unreliable.



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2 Q. I am going now to Chapter IV, the
3 Newfoundland situation, which I don't intend to
4 cover in any detail because your points are all there.
5 I would like, perhaps at the expense of repetition,
6 to give what I understand to be a summary of Newfoundland's
7 case. First, that the water competitive rates be
8 extended for the remaining four months of the year
9 and the railways be reimbursed by means of a subsidy?

10 MR. DICKSON: Yes, that is one.

11 Q. And secondly, that the effect of the
12 water gap be removed by way of a subvention?

13 MR. DICKSON: That is right.

14 Q. And thirdly, that careful consideration
15 be given to construction of a container ship?

16 MR. DICKSON: That is right.

17 Q. Have you made any estimate as to the
18 cost of any one of these three matters, or the total
19 of the three?

20 MR. DICKSON: No. The extension of the
21 competitive rates would be impossible for us to
22 estimate. The bridging of the water gap is impossible
23 to estimate accurately, and as far as ship construction
24 is concerned, I don't know whether anybody can
25 estimate it right the first time -- when we think
26 about Newfoundland ferries.

27 Q. In any event, these suggestions are
28 put forward, but you have no ideas at all as to the
29 cost?

30 MR. DICKSON: I don't think one and two would



1
2 be very substantial. That is just a personal opinion
3 and may be way wrong.

4 Q. But whatever it costs, the suggestion
5 in any event is put forward that these subventions
6 and this ship should be supplied?

7 MR. DICKSON: Indeed it is.

8 Q. I refer you to paragraph 268 dealing
9 with the Newfoundland situation on page 61. There
10 is a figure there of \$300 million occurring in
11 this sentence:

12 "In the submission presented by
13 the government of Newfoundland, it
14 was stated that Newfoundland ranks
15 third as a market for Canadian products
16 with annual purchases of \$300 million."

17 You have given the source of the figure
18 as used in the submission, but do you know its ultimate
19 source?

20 MR. DICKSON: No, I am afraid I don't.

21 Q. It seems very high.

22 MR. DICKSON: I am not sure whether the
23 Newfoundland brief sets out how they calculated that
24 or not, but I certainly don't know.

25 Q. I am only going to touch very briefly
26 on Chapter V, and I should like to ask this general
27 question first arising out of that chapter. Has
28 the Maritimes Transportation Commission any information
29 by way of any study they might have made or otherwise
30 of the effect of the St. Lawrence Seaway on Canadian



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2 Atlantic ports?

3 MR. DICKSON: In reply to that, Mr. Cooper,
4 I might mention that the premiers of the Atlantic
5 provinces authorized the Maritime Transportation
6 Commission to have initiated a study on the effects
7 of the St. Lawrence Seaway on the Atlantic provinces.
8 That study has been begun and I hope very soon it
9 will be completed, but as yet I haven't seen any
10 conclusions that the economists who are making the
11 study have drawn, and I can't comment on it. If
12 you are interested in this matter perhaps we could
13 file a copy of the report when it is completed with
14 you. I think it will be done before your Commission
15 is through.

16 Q. How soon do you expect the report
17 to be available?

18 MR. DICKSON: We hope it will be finished
19 by the end of this year.

20 Q. Perhaps you will be good enough,
21 when that report is ready, to let us have a copy of
22 it.

23 MR. DICKSON: I think there will be one
24 part of it completed very soon, and there will be
25 a part 2 which won't be quite so soon.

26 Q. Would you be good enough to file part
27 1 as soon as you have it and part 2 later, with the
28 secretary?

29 MR. DICKSON: Yes, I will.

30 Q. Dealing generally with chapter V, The



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2 Railways and Canadian Atlantic Ports, I consider that
3 this matter cannot perhaps properly be dealt with
4 by this Commission within its terms of reference,
5 and particularly the recommendation contained at
6 page 70 in paragraph 313 where you refer to a national
7 policy of port utilization. If you have any concrete
8 suggestions as to what this Commission might do in
9 this matter, and having regard to its terms of
10 reference, perhaps you could put them forward, otherwise
11 I don't see this Commission can do much about the
12 matters which you have raised here. Perhaps they
13 may be referred to the Vice Chairman of the National
14 Harbours Board.

15 MR. DICKSON: Could I have some time to
16 think about that particular question and perhaps
17 answer it later on?

18 Q. Yes, certainly. Chapter VI is
19 concerned with horizontal freight rate increases
20 about which we have heard a great deal, and I refer
21 you particularly to paragraph 341 where various
22 alternatives to horizontal rate increases have been
23 suggested, and you list a number of them. Have you
24 any specific solution to put forward with respect
25 to this problem of horizontal rate increases?

26 MR. DICKSON: We are not putting forward
27 any particular one of those. We say that any of
28 them, either singly or in combination with the
29 others, would tend to lessen the impact of horizontal
30 increases on long haul traffic.



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2 MR. FRAWLEY: Mr. Chairman, I hope the
3 witness understands he may be infringing Manitoba's
4 patent for Item No. 6?

5 MR. DICKSON: I think Manitoba has mentioned
6 Item No. 6 in their submission in Winnipeg last
7 February.

8 MR. SINCLAIR: Oh, they did it before that.

9 MR. COOPER Q: But you have no specific
10 solution which you wish to put forward before this
11 Commission on this subject? You really have these
12 various alternatives and are not suggesting one above
13 the other or making any specific suggestion?

14 MR. DICKSON: We are not suggestion one
15 above the other or making any specific suggestions
16 there. We say the solution to the problem of the
17 horizontals should be coupled with the problem
18 posed by the necessity of recovering revenue
19 requirements from an ever narrowing base of traffic.

20 ----Short recess.
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2 THE CHAIRMAN: Order, please.

3 MR. COOPER: Q. Mr. Parks, I refer you to
4 Appendix IX, page 1, in volume 2, and to the first
5 paragraph, and the introduction:

6 "It should be noted that the purpose of
7 the section dealing with aggregate and per capita
8 growth is to present material of sufficient
9 dependability to indicate trends in the economic
10 development of the Atlantic provinces, rather than
11 to provide actual statistical data. None of the
12 figures which appear in this section should be
13 accepted as an actual and accurate measure, but
14 may be used, in relation to other figures, to
15 suggest trends and comparisons. This is also
16 true when consideration is given to the constant
17 gross value figures for industrial sectors."

18 I should like you to comment on and explain particularly
19 the words "none of the figures which appear in this
20 section should be accepted as an actual and accurate
21 measure . . .".

22 MR. PARKS: Mr. Cooper, the term of
23 measurement used for aggregate gross is gross pro-
24 vincial product. It is designed to correspond with
25 gross national product at the national level.

26 Now, gross national product figures are
27 provided for us by the Dominion Bureau of Statistics.
28 DBS is, of course, concerned with presenting an actual
29 and accurate measure of total or aggregate activity
30 in the country as a whole.



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2 At the provincial level we do not have the
3 necessary information, the necessary raw data, to measure
4 with the necessary degree of accuracy what we have called
5 gross provincial product; but we have developed a
6 technique, and if we applied this technique to the
7 same data year by year we feel that we have developed
8 something which will indicate a trend in the aggregate
9 output of the economy of the Atlantic provinces, but at
10 the same time we would caution that we have not produced
11 a figure which would indicate an actual measurement for
12 any one year.

13 Q. Has the Dominion Bureau of Statistics
14 played any part in the compilation of the gross pro-
15 vincial product figures?

16 MR. PARKS: No, they have not, Mr. Cooper.
17 They have been very much interested in this, but as I
18 indicated just a moment ago because DBS is interested
19 in an actual and accurate measure for any particular
20 year, because information is not available because our
21 data is not available, they are unable to do this
22 at the provincial level.

23 Q. You mention in your Appendix transfer
24 payments. I realize that I should know what that term
25 means, but I do not. Would you mind enlightening me
26 on it?

27 MR. PARKS: Transfer payments, Mr. Cooper, are
28 moneys which are transferred from one person to another
29 through the medium of government fiscal policy. They
30 include such things as unemployment insurance benefits;



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2 old age pensions; children's allowances.

3 Q. Are those payments all federal
4 government payments, or are there some that are provincial
5 payments? When you use the term "transfer payments"
6 you are referring only to federal?

7 MR. PARKS: Well, I am referring to all
8 transfer payments, of course, from the provincial or
9 federal level, but the vast majority of them comes
10 through the medium of federal fiscal policy.

11 COMMISSIONER MANN: Do you put the Atlantic
12 provinces' adjustment grants into that category?

13 MR. PARKS: No.

14 COMMISSIONER MANN: You do not?

15 MR. PARKS: No.

16 MR. COOPER: Thank you, Mr. Parks, that is
17 all, Mr. Chairman.

18 THE CHAIRMAN: Mr. Frawley?

19 MR. FRAWLEY: I have a few questions for Mr.
20 Dickson.

21 CROSS-EXAMINATION BY MR. FRAWLEY:

22 Q. Mr. Dickson, on page 70 -- well, dealing
23 with this whole chapter, which begins at Chapter V,
24 "The railways and Canadian Atlantic ports" -- I want to
25 be quite clear. You seem to complain, and looking
26 perhaps at paragraph 218, when you are referring to
27 the Resolution of the Premiers of the Atlantic Pro-
28 vinces, you say there -- at least, this Resolution
29 does, which you are presenting to this Commission:
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2 "Whereas the aggregate dollar value of
3 Canadian overseas exports and imports not routed
4 through Canadian ports in 1955, the latest year
5 for which complete statistics are available,
6 was \$350 million . . ."

7 Yesterday my friend Mr. Smith put the 1958 figure on
8 the record, which was \$428 million.

9 You are complaining that Canadian traffic from
10 central Canada and western Canada, and the maritimes,
11 for that matter, going out overseas does not go through
12 Atlantic ports to the extent you would like to see them
13 go?

14 MR. DICKSON: Not only Canadian Atlantic
15 ports, but all Canadian ports. The central Canadian
16 traffic that happens to be moving through United States
17 channels -- now, if it moved through Canadian channels,
18 it would undoubtedly move through Montreal and Quebec
19 and other Canadian ports as well.

20 Q. I would just like to understand the
21 import of the matter. You said yesterday that the
22 rates -- suppose that a carload of traffic destined
23 for Europe, somewhere in Europe, or Africa, but going
24 out through some Atlantic port -- suppose that the
25 rate from, say, Toronto to Halifax or Saint John, New
26 Brunswick, was the same as the rate from Toronto to
27 New York?

28 MR. DICKSON: The port parity rate would be
29 used.

30 Q. The port parity rate would be used?



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2 Well, the freight rate to go from Toronto to Halifax
3 would not be any higher than the freight rate to get
4 it from Toronto to New York; is that right?

5 MR. DICKSON: If it was a port parity rate;
6 but there may be a lower rate available on export
7 traffic through an American port than a port parity
8 rate.

9 Q. Of course, it may be all leaking out
10 from these special competitive rates which apply to
11 New York, Boston and Baltimore, and do not apply to
12 Halifax and Saint John; is that what you say?

13 MR. DICKSON: That would be a factor in
14 diverting traffic through American ports.

15 Q. Well, then, that would not be any fault
16 of what you call the port parity rate structure?

17 MR. DICKSON: If there was only the port
18 parity rates, and if the traffic moved solely because
19 of transportation cost, then the Atlantic ports and
20 Montreal-Quebec should be able to compete equally with
21 New York, Baltimore, and so on.

22 Q. Well, if they are not -- if you find in
23 fact that the American ports are getting a good deal of
24 Canadian traffic outbound for overseas, then to what
25 do you ascribe it?

26 MR. DICKSON: Partly to the fact that they
27 are lower rates which will apply on export traffic
28 via New York then via Halifax, using those two points
29 as examples.

30 Q. Would that be the main reason?



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2 MR. DICKSON: I don't know whether it is
3 possible to describe the main reason. The National
4 Harbours Board have said there are other reasons, and,
5 among them, of course, is this one we have mentioned.

6 Q. Well, to the extent that it depends
7 upon and results from special low rates, either arising
8 out of the competitive factor or otherwise that sends
9 Canadian goods destined for even Commonwealth countries
10 from the ports of Boston, New York, Baltimore, and so
11 on, then there is little you can do about it from the
12 standpoint of the port parity rate structure?

13 MR. DICKSON: I wonder if you would repeat
14 that, Mr. Frawley, until I just get clear in my mind
15 what you mean?

16 Q. Well, if a good deal of Canadian traffic
17 destined for overseas is going to American ports,
18 rather than to Canadian Atlantic ports, because there
19 are special rates by the railways -- American or
20 Canadian, or a combination of both -- which do not apply
21 from the same origin in central Canada to the Canadian
22 Atlantic ports, then that is a transportation problem
23 over which your organization, of course, I suppose,
24 has little control?

25 MR. DICKSON: Well, we try, and the railways
26 have been cooperative, to secure as many of the rates
27 which are lower to New York than the port parity rate
28 structure. We try to secure the extension of them
29 to Halifax and Saint John. It is not always possible.

30 Q. No. Well, then ---



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2 MR. DICKSON: I should mention, Mr. Frawley,
3 some of the other reasons, and I think that will help
4 clear up the other matter.

5 A good many of our Canadian companies are
6 controlled by American interests, and the parent company
7 will very often dictate the routing of the traffic.

8 Q. That is certainly what I wanted you
9 to put on the record to this Commission, but before I
10 come to that -- and I will come to that -- I would just
11 like you to apply your mind again to the question which
12 I raised, and that is the existence of more favourable
13 rates from Canadian origins to United States port
14 destinations than from those same Canadian origins to
15 Canadian Atlantic port destinations.

16 Now, you say there are such things?

17 MR. DICKSON: Yes.

18 Q. All right. Have you ever approached
19 Canadian railways asking them to meet those Canadian
20 rates, which obviously must be either a single factor or
21 joint through rates or a combination over the border
22 rate; have you asked the railways to meet those rates
23 and let the traffic go through Halifax and Saint John?

24 MR. DICKSON: We have, yes.

25 Q. And what has been the answer?

26 MR. DICKSON: They have met some.

27 Q. But not all?

28 MR. DICKSON: Perhaps I can give this example.
29 We prepared a very extensive study for them within the
30 last year, and we indicated a number of rates that were



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2 lower through American ports than through Canadian
3 ports. The railways are working on it. They have
4 given us some comments on it, and they have established
5 one or two lower rates, as a result of that study,
6 through Halifax and Saint John, equal to the rates
7 through the American ports.

8 Q. Well, one or two out of how many?

9 MR. DICKSON: A great number. I couldn't
10 put a figure on it.

11 Q. Well, one or two out of fifty?

12 MR. DICKSON: I cannot put a figure on it,
13 Mr. Frawley. It was pages and pages.

14 Q. All right. One or two out of pages
15 and pages; and they are working on the rest of them?

16 MR. DICKSON: That is right. They have
17 given us some comments on the rest of them, and they
18 say they are working on the remainder.

19 Q. You mentioned the fact that the routing
20 of traffic -- Canadian manufacturers' traffic seeking
21 a market in Europe, Africa, the British Isles -- that
22 the routing of that traffic is in some instances
23 controlled by the parent company of the Canadian
24 manufacturer?

25 MR. DICKSON: Yes, that is right.

26 Q. And that policy, when it is worked out,
27 sends the traffic over Canadian railways just to the
28 border, and then over American railways, and then
29 to an American port?

30 MR. DICKSON: If the parent company routes



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2 the traffic through American ports, your reconstruction
3 would be right.

4 Q. So that not only do the Canadian railways
5 get a short haul out of it, rather than a long one,
6 but the Canadian Atlantic port gets no good at all
7 out of that, obviously?

8 MR. DICKSON: That is true. If it goes
9 through New York, it doesn't go through Halifax.

10 Q. That is a pretty serious situation, is
11 it not, for the Canadian Atlantic ports-- speaking of
12 them and not of the railways for the moment?

13 MR. DICKSON: Not only for the Canadian
14 Atlantic ports, but I think, I am sure, the ports of
15 Montreal and Quebec feel that this is a serious situa-
16 tion for them.

17 Q. Well, now, have you brought that
18 matter to the attention of the Prime Minister of
19 Canada?

20 MR. DICKSON: The Maritimes Transportation
21 Commission has not.

22 Q. The Maritimes Transportation Commission
23 has not brought that situation to the attention of
24 the Governor General in Council?

25 MR. DICKSON: I am not sure of the distri-
26 bution of this resolution of the Atlantic Premiers,
27 but if they are urging the federal government to join
28 with them in studying incentives, then it must have
29 reached somebody in the federal government.

30 Q. Well, Mr. Dickson, I do not want to be



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2 hypocritical but I look at that resolution at the
3 top of page 71 and I see you are urging the federal
4 government to join with your provinces in studying the
5 possibility of providing appropriate incentives and
6 so on, and so on; but, in the event that is the
7 only thing you can point to as the manner in which
8 this situation which you have described, which means
9 a great loss of traffic to Atlantic ports ---

10 MR. DICKSON: And Montreal and Quebec,
11 too.

12 Q. And this resolution is all you can point
13 to as the manner in which this has been brought to the
14 attention of the Prime Minister of Canada?

15 COMMISSIONER ANSCOMB: May I ask a question,
16 Mr. Frawley, without interrupting you? May I ask
17 what would be the position; it does not necessarily
18 say, surely, that because you can ship as cheaply
19 or cheaper to Boston or New York that every shipping
20 company is going to come up to Halifax just to satisfy
21 you, when they can get that from Boston or New York?

22 MR. DICKSON: There are a number of factors,
23 as I said, Commissioner Anscomb, that affect the
24 routing of traffic. There is the rate; the control
25 of the Canadian companies in frequent number of
26 sailings, as you mentioned; financial arrangements,
27 letters of credit, and so on. So, there are a number
28 of factors there.
29
30



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2 Q. Now, Mr. Dickson, can you give me an
3 example of the kind of traffic that is destined for
4 markets overseas, manufactured in Canada by companies
5 owned or controlled in the United States, where this
6 situations arises? Can you give me an example, one
7 or two?

8 MR. DICKSON: Automobiles.

9 Q. Yes, automobiles; that is exactly the
10 one I had in mind. So what you suggest is that Ford
11 cars manufactured by the Ford Motor Company in either
12 Windsor or Oakville and destined for European markets
13 are routed from Boston rather than Saint John at the
14 direction of this company that is controlled in the
15 United States.

16 MR. DICKSON: I don't know that I can state
17 definitely that it is Ford cars; but 86 per cent
18 of the automobile freight and passenger exported from
19 Canada move from United States ports.

20 Q. Eighty-six per cent of the motors
21 manufactured in Canada moving to European markets
22 move from United States ports?

23 MR. DICKSON: That figure is based on data
24 from the National Harbours Board.

25 COMMISSIONER MANN: What year is that, Mr.
26 Dickson?

27 MR. DICKSON: That is for 1958.

28 MR. FRAWLEY: Can you say whether it has
29 improved or deteriorated in 1959?

30 MR. DICKSON: No; the figures are not available



1 for 1959.

2
3 Q. And do you know that the only way
4 that it is brought to our attention is by that
5 resolution which was read out on page 70 and over to
6 71 in this brief?

7 MR. DICKSON: I can only speak for the
8 Maritimes Transportation Commission. The National
9 Harbours Board, I am sure, keep the government advised
10 of those things, and the government is truly aware
11 of the necessity of directing traffic through Canadian
12 ports. It is one of the expressions of national policy
13 as contained in the Act of 1955.

14 Q. You told Commissioner Mann that those
15 were 1958 figures. This situation didn't arise in
16 1958; it has been going on for many years.

17 MR. DICKSON: I think that is a fair statement,
18 yes.

19 Q. And the National Harbours Board has
20 been there for many years?

21 MR. DICKSON: Yes.

22 Q. Eighty-six per cent of cars manufactured
23 in Canada and destined for markets overseas go through
24 American ports rather than Canadian ports and our
25 Maritime ports lose the benefit of that traffic.

26 MR. DICKSON: We wouldn't expect to get all
27 that traffic. We would do well to get a small part
28 of it.

29 Q. You say on page 43, starting perhaps
30 at the bottom of page 42, that you are not asking for



1
2 any change in the subsidy on traffic moving from the
3 Atlantic provinces to western Canada. Now, why do you
4 say that?

5 MR. DICKSON: I think we have it fairly
6 clearly in paragraph 181. We say:

7 "The horizontal rate increases and
8 competitive rate reductions and hold-downs
9 which have whittled away the benefits
10 of the Maritime Freight Rates Act on
11 traffic from the Atlantic provinces to
12 central Canada have not affected the
13 Maritimes to western rates to the same
14 degree."

15 Q. Well, you get a subsidy on the portion
16 of haul that ends at Levis, Diamond Junction?

17 MR. DICKSON: Yes.

18 Q. And after that it either goes to
19 central Canada or western Canada?

20 MR. DICKSON: I am sorry --

21 Q. After the traffic leaves Levis, Diamond
22 Junction, its destination is either central Canada or
23 western Canada?

24 MR. DICKSON: Yes, the destination of the
25 traffic must be somewhere west of Levis, Diamond
26 Junction.

27 Q. I don't understand why you don't
28 want the subsidy increased on the traffic moving to
29 western Canada as well as on the traffic to central
30 Canada?



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2 MR. DICKSON: The rate relationships have not
3 been disrupted to the same extent as they have been
4 to central Canada.

5 Q. There are new agreed charges to western
6 Canada; practically every day there is a new agreed
7 charge on that traffic. Now, I don't understand.
8 Perhaps I am wrong.

9 MR. DICKSON: There are a fair number of
10 agreed charges from central Canada to western Canada.
11 I think I should refer, Mr. Frawley, to the example
12 I gave yesterday on the confectionery where the
13 differential between the Halifax and Montreal shipper
14 before the horizontal rate increases was eight cents,
15 and now it has only grown to 11 cents. So there isn't
16 the disruption there that you see in Appendix 5 of
17 a differential of 20 cents to our advantage becoming
18 26 cents disadvantage.

19 Q. You say you can get your goods into
20 western Canada but you find it difficult to get
21 these into central Canada because of the competition
22 in central Canada?

23 MR. DICKSON: Yes.

24 Q. Is it because the candy manufacturers
25 are fewer and far between in western Canada?

26 MR. DICKSON: I don't know how many
27 confectionery manufacturers you have in western Canada,
28 but for Maritime companies competing in western
29 Canada with the central Canadian companies the
30 differential between their rates and those of central



1
2 Canadian companies has not been disturbed to the
3 same extent.

4 Q. You find it difficult to get in? That
5 is what you call de-emphasizing the distance. You
6 want to get the manufacturers in, say, Halifax to
7 Toronto as against the shipment which may come from
8 London, Ontario to Toronto.

9 MR. DICKSON: Yes.

10 Q. And you want this subsidy, de-
11 emphasizing the distance?

12 MR. DICKSON: Yes.

13 Q. That de-emphasis isn't allowed to
14 work out there.

15 MR. DICKSON: I am familiar with the A and
16 B group, Mr. Frawley.

17 COMMISSIONER GOBEIL: If there was a
18 distortion in the west you wouldn't be justified
19 historically to ask for the Maritime Freight Rates
20 Act to be applied to western Canada?

21 MR. DICKSON: You say we would not be
22 justified on the historical reasons to make the
23 Maritime Freight Rates Act applicable to western
24 Canada?

25 COMMISSIONER GOBEIL: Yes? The idea
26 was to make the western market accessible to the
27 Atlantic provinces.

28 MR. DICKSON: The Duncan Commission didn't
29 say central Canada; it said the larger markets, I
30 believe, in central Canada.



1
2 MR. FRAWLEY Q: The candy manufacturer in
3 London, Ontario shipping into Calgary and Edmonton
4 and one in Halifax - I think you would find that
5 the candy from London moves in on an agreed charge.

6 MR. DICKSON: That is right.

7 Q. In any event, from St. Stephens,
8 Halifax, it may be on an agreed charge, too.

9 MR. DICKSON: That is right.

10 Q. You say you have got those two agreed
11 charges so geared that you don't find difficulty in
12 holding your markets in Edmonton candy as against
13 London, Ontario, candy.

14 MR. DICKSON: I think maybe because of agreed
15 charges this differential hasn't grown.

16 THE CHAIRMAN: In any event, you are not
17 asking for it?

18 MR. DICKSON: That is right.

19 MR. FRAWLEY Q: I suppose if you are not
20 asking for it we should be thankful and go on to
21 something else.

22 Now, I know that for a long time the
23 Maritimers complained they lost New England markets.
24 But don't you ship some fish and lumber into the
25 United States?

26 MR. DICKSON: Yes.

27 Q. I don't mean live lobsters but the
28 old-fashioned cod fish and such things?

29 MR. DICKSON: Yes, there is a movement of
30 fish to the United States.



1
2 Q. Do you get the benefit of the Maritime
3 Freight Rates Act on those movements?

4 MR. DICKSON: No.

5 Q. Because the fish would have to go up
6 to Diamond Junction, Levis.

7 MR. DICKSON: It may go that way now. It
8 depends on the routing of the traffic. But that is
9 beside the point. The Maritime Freight Rates Act does
10 not provide for reductions on traffic going to the
11 United States.

12 Q. Is that because you feel you should be
13 able to get into New England through some closer
14 gateway than Central Canada?

15 MR. DICKSON: No, Mr. Frawley. I think, if
16 you recall the Duncan Commission report, they did
17 recommend that there be a reduction to the United
18 States, but that was not implemented by the government,
19 in their wisdom.

20 Q. Why are you not asking for it to be
21 implemented here now?

22 MR. DICKSON: The Maritimes did ask strongly
23 when the Duncan recommendations were made, but it has
24 not been implemented. The decision the Government of
25 Canada took at that time was that they could not, by
26 statute, ask the Canadian railways to reduce their
27 rates only to have the United States railways, over
28 which the Canadian government has no control, increase
29 theirs.

30 Q. Now, in paragraph 182, that is the



1
2 matter of the arbitraries, you say:

3 "Rates from the Atlantic provinces
4 to western Canada are based principally
5 on the rates from what is commonly
6 called A and B territory plus a series
7 of arbitraries. The arbitraries, which
8 bear little or no relationship to the
9 distance involved, coupled with the
10 present Maritime Freight Rates Act
11 subvention, have enabled Atlantic
12 provinces industry to retain a foothold
13 in western Canadian market."

14 So in our discussion a few moments ago we
15 might have and perhaps should have included the fact
16 that you have the benefit of the arbitraries.

17 MR. DICKSON: Yes, the arbitraries are part
18 of the rate structure to western Canada.

19 Q. Do the arbitraries work both eastbound
20 and westbound?

21 MR. DICKSON: Yes, they do.

22 Q. If we have goods originating in
23 Winnipeg, say, destined for Halifax, it moves to Halifax
24 on the Montreal rate plus an arbitrary?

25 MR. DICKSON: Yes, if it is a class rate.
26 Perhaps I should make that point clear. I think you are
27 familiar with it. It is not two separate factors; it
28 is all combined as one rate.

29 Q. And in connection with the rates that
30 are subject to the Maritime Freight Rates Act, they



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2 only publish the net rate. Are you advocating anything
3 about publishing the rate that the railways get and
4 indicate that a certain part of that rate is paid by
5 the Government of Canada? Have you anything to say
6 about the advisability of that?

7 MR. DICKSON: In connection with our additional
8 subvention we are recommending, we are suggesting that
9 the tariffs contain the rate as at present and the
10 reduction be made by the type of a master tariff such
11 as the increase tariff, only this would be a reduction
12 tariff.

13 Q. You say the extra subsidy that is now
14 being requested - that should be shown separately?

15 MR. DICKSON: Well, we say it should be done
16 for the ease of calculation. It would seem to be the
17 easiest way to do it, and then you wouldn't have to,
18 every year, recalculate your tariff rates. All you
19 would have to do would be change your master tariff.

20 Q. You are suggesting that the tariff
21 that is there now as built into the Maritime structure
22 would remain and the tariff show the net, that the
23 tariff continue to show the net rate of the 30 per
24 cent subsidy.

25 MR. DICKSON: We are not asking for any change
26 in the present tariffs that already reflect the 30
27 per cent subsidy.



1
2 Q. But you would say -- and I am not using
3 these expressions offensively -- but you would come
4 out into the open with regard to the more recent
5 subsidy that you are now requesting?

6 MR. DICKSON: I think it is a matter of
7 convenience of calculation, because if the railways
8 are going to be asked every year to recalculate all
9 their maritime rates, that would be a substantial
10 amount of work.

11 Q. Well, it may be all right to say ease
12 of calculation, but I am concerned with the fact that
13 at the moment the rate that you find in the published
14 tariffs is a rate which does not show the 30 per cent
15 which the Government of Canada pays?

16 MR. DICKSON: That is right; I agree.

17 Q. I don't think that is particularly
18 right or wrong, but I am wondering why you draw a
19 distinction, because it is going to be Government of
20 Canada money -- the 30 per cent you are now getting
21 plus the addition you are requesting -- and why not
22 have it all shown as subsidy?

23 MR. DICKSON: I suppose it could be done.

24 Q. These arbitraries over Montreal: they
25 are, I suppose, obviously a sort of freight rate
26 assistance?

27 MR. DICKSON: No, I couldn't agree with
28 that.

29 Q. Well, you say they bear little or no
30 relationship to the distance involved. Perhaps it



1
2 would be clearer if you gave me an example: take any
3 one you like -- the rate to Montreal would be, say,
4 on a shipment of goods from any point in central
5 Canada, \$3 a hundredweight: now, what would the rate
6 to Halifax be?

7 MR. DICKSON: It would be plus the arbitrary
8 depending on the class of the goods. I haven't one
9 in front of me.

10 Q. Just to get a figure -- just take one
11 you know something about?

12 MR. DICKSON: I don't know one right here
13 now. I would have to look one up.

14 Q. I will make a suggestion to you and it
15 may be quite wrong, but I have heard of 12-cent arbi-
16 traries and 14-cent arbitraries: would there be such a
17 thing as from origin to Montreal being \$3 and from
18 origin to Halifax being \$3.12?

19 MR. DICKSON: I couldn't say whether that
20 12-cent figure is reasonable or not on eastbound movements.

21 Q. It would certainly make it easier -- and
22 perhaps I will be told to go and find one in the traffic
23 department -- but I thought maybe you would have one
24 very readily. I see Mr. Rand Matheson sitting in
25 the spectator seats and he used to be able to call them
26 off to me one, two, three, four.

27 MR. DICKSON: Well, I haven't got his re-
28 markable ability to remember rates.

29 Q. No, no, and if I may say so you are making
30 a very admirable presentation for the Atlantic provinces.



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I thought if we had some idea of what that \$3 becomes that in discussing it with you it would be a little more understandable.

MR. DICKSON: I appreciate what you say, Mr. Frawley, but it is hard for me to say whether the arbitrary on \$3 would be 12 cents. It depends on the class number and whether it is an eastbound or westbound movement. I would think it would be higher than that on eastbound on stuff above fifth class.

Q. Would it be any higher than 25 cents?

MR. DICKSON: Yes, it would be a little higher than that on fifth class eastbound.

Q. Would it be 35 cents?

MR. DICKSON: I would think -- and I am making a guess, and that is all I can do -- it would be around 30 cents.

Q. Around 30 cents?

MR. DICKSON: That is all I can do.

Q. Do you know what the relationship of that 30 cents to haul that 100 pounds from Montreal to Halifax would be to cost?

MR. DICKSON: No.

Q. Do you know whether it is a compensatory movement or not?

MR. DICKSON: I think you have to consider the entire haul.

Q. For my purposes, the haul has been completed at Montreal but it still has to get to its destination, and they charge you 30 cents?



1
2 MR. DICKSON: No; the arbitrary is an
3 integral part of the rate.

4 Q. Oh, yes, for the purposes of billing,
5 and so on. I want to know why they are doing that,
6 why they are taking it to Montreal and then taking it
7 to Halifax for 30 cents?

8 MR. DICKSON: It is an integral part of the
9 rate system. That is the best I can do, sir.

10 Q. Have you ever had any complaints from
11 the railways to the Maritimes Transportation Commission
12 that that 30 cents does not return them their out-of-
13 pocket costs plus a reasonable contribution to overhead?

14 MR. SINCLAIR: I object, Mr. Chairman. The
15 witness has said you can't break it into segments.
16 My friend knows the answer to this kind of question.

17 MR. FRAWLEY: My friend says you can't break
18 the rate. It is very easy to break it because it is
19 an arbitrary over the published rate, and it is \$3.
20 That is why it would have been more useful if I had
21 whether it is 12, 14, 18 or 30, and I am taking it
22 from the witness that it is 30 cents. I think we can
23 find plenty that are not 30 cents.

24 MR. SINCLAIR: My point is, what has that
25 got to do with whether the rate is compensatory or not.
26 The witness has said it is an integral part of the rate.

27 THE CHAIRMAN: I think we have railway
28 witnesses who can deal with that.

29 MR. FRAWLEY: Well, I am cross-examining
30 because that word "compensatory" is blazoned across



1
2 the wall of this room and we will hear much more about
3 it.

4 MR. SINCLAIR: Well, if that is the reason and
5 that is the defence, we will be glad to have notice of
6 it.

7 MR. FRAWLEY: "Defence", does my friend say?
8 I am cross-examining a witness and endeavouring to get
9 somewhere on this question of what it costs.

10 Q. I asked you whether or not you have ever
11 received or heard of any complaint by the railways that
12 to carry a carload of traffic from Montreal to Halifax
13 for 30 cents a hundred was not compensatory?

14 MR. DICKSON: No, personally I have not.

15 Q. Do you know from the records of the
16 Maritimes Transportation Commission whether there has
17 ever been any protest at all from the railways that
18 that was a non-compensatory rate or a non-compensatory
19 addition to the rate?

20 MR. DICKSON: I personally do not.

21 Q. Now, my first question was whether or
22 not that arbitrary was not a kind of freight rate
23 assistance, either to the shipper in central Canada or
24 the receiver in the Atlantic provinces, or to both.
25 Why do you think it is not a freight rate assistance?

26 MR. DICKSON: That is what I said before, yes.

27 Q. You say it is not a freight rate assis-
28 tance?

29 MR. DICKSON: I cannot see that it is.

30 Q. If a car of goods left Toronto destined



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2 for Edmonton rated at the Saskatoon rate plus 10 or
3 15 cents, would you regard that as a freight rate
4 assistance to the receiver in Edmonton?

5 MR. DICKSON: No, I don't think -- I can't
6 quite see what your meaning is here, Mr. Frawley.

7 Q. I take it as far as your knowledge is
8 concerned, the makeup of the arbitraries over Montreal
9 covering shipments to and from the maritimes has not
10 been explored from the standpoint of whether it is
11 compensatory or not?

12 MR. SINCLAIR: Mr. Chairman, once again I
13 object to approaching the thing on this basis. It is
14 not proper rate making, and my friend knows better.
15 My position is clear, that you cannot break a rate
16 and say this segment or that segment is compensatory.

17 THE CHAIRMAN: Well, this witness is very
18 honest and he has answered already, Mr. Frawley.

19 MR. FRAWLEY: He has answered that he does
20 not know anything -- and I say that respectfully --
21 but he has never explored what the records of his office
22 show with regard to the compensatory or non-compensatory
23 nature of the arbitraries.

24 MR. SINCLAIR: He said more than that, and
25 Mr. Frawley can disregard the evidence if he wishes,
26 but he said it was an integral part of the rate, and you
27 have to look at it from origin to destination, and I
28 think that is correct. If he wants to say that there are
29 some of these rates which are not compensatory from
30 origin to destination, then put them on the record.



1
2 THE CHAIRMAN: The witness has said he
3 doesn't know, in answer to what Mr. Frawley has asked,
4 and that is the end of that.

5 MR. FRAWLEY: Except that my friend Mr.
6 Sinclair is making objections and I claim the right
7 to reply. My friend says and reiterates that it is
8 an integral part of the rate. Why call it the
9 Montreal rate plus an arbitrary -- that is all?
10 I understand what an integrated rate is -- an integral
11 rate, or whatever you call it. The rate from Toronto
12 to Edmonton is one rate and from Montreal to Halifax
13 is another rate plus an arbitrary. My friend can
14 waltz all around the word "integrated" but I say there
15 are two component parts of that rate. I am not
16 complaining about it from that standpoint; I would not
17 take it away from the maritime provinces for the world,
18 but I want to talk about it because we have heard so
19 much about the poor railways and the non-compensatory
20 nature of rates.

21 MR. SINCLAIR: If the traffic to and from ---

22 THE CHAIRMAN: I think that is closed now, Mr.
23 Sinclair.

24 MR. FRAWLEY: Thank you, Mr. Dickson.

25 THE CHAIRMAN: Mr. Brazier?

26
27 CROSS-EXAMINATION BY MR. BRAZIER:

28 Q. Mr. Dickson, without going into the
29 details of your brief to any extent, I take it that your
30 chief difficulty has arisen out of the application of



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2 horizontal increases which have magnified the differ-
3 ences in rates because of the distance factor of the
4 maritimes from central Canada; is that correct?

5 MR. DICKSON: There are two factors there:
6 there is the competitive rate reductions in central
7 Canada -- reductions and hold-downs -- and the hori-
8 zontals.

9 Q. Let us deal first with the ones that
10 are not affected by the competitive situation: then,
11 it is the distance factor that has complicated your
12 problem?

13 MR. DICKSON: It is the operation of the
14 horizontals or a rate which would be higher from the
15 maritimes than the rate within central Canada.

16 Q. Would you agree that that distance
17 factor can affect anybody anywhere in Canada if they
18 are far enough away from the market?

19 MR. DICKSON: That would be true, yes.

20 Q. Your Commission has had many long years
21 studying freight rate problems in Canada, and I wonder
22 whether or not you have given any consideration to a
23 solution which would solve the distance problem for
24 anybody in Canada -- not just the maritimes, but any-
25 body affected by this distance factor?

26 MR. DICKSON: I think we have had our hands
27 full in endeavouring to solve our own problems. It
28 would be very nice, yes, indeed, if we could solve all
29 of Canada's problems.

30 Q. You have never considered a solution in



1
2 the light of general principles applying to all of
3 Canada, including the railways -- helping the railways
4 solve some of their problems, too?

5 MR. DICKSON: The submission we are making
6 here this week to this Royal Commission is concerned
7 primarily with the problems of the Atlantic provinces.

8 Q. I appreciate that very much, but I was
9 just trying to see whether or not in your years of
10 study of transportation problems your Commission had
11 ever gone further than just considering the problems
12 of the maritime provinces?

13 MR. DICKSON: As I said, we have been pretty
14 well occupied with our own problems, and it would be
15 pretty nice if we could do that, to solve the entire
16 transportation problem, but I don't think we are capable.
17 We have tried to bring to this Royal Commission some
18 thoughts on the transportation problems of the
19 Atlantic provinces, and I am sure the other provinces
20 are bringing their thoughts over too, and maybe this
21 very capable Commission can solve the Canadian problem.

22 Q. Well, would your Commission have any
23 objection if the solution which you suggest for your
24 problem was applied to the rest of Canada where the
25 same situation exists?

26 MR. DICKSON: The same situation does not
27 exist, as we state, in other parts of Canada.

28 Q. You don't think it exists in any parts
29 of western Canada?

30 MR. DICKSON: Mr. Parks has dealt with the



1
2 economy of the Atlantic provinces, and I think his
3 evidence indicated that the Atlantic provinces is the
4 area of Canada that is lagging behind economically.

5 Q. So, the difference you are drawing
6 between the Atlantic provinces and the rest of Canada
7 is essentially on the basis of the difference in the
8 economic activity as against the rest of Canada?

9 MR. DICKSON: Yes, and I go back again to
10 the two prongs: the economic situation as we have it
11 in the Atlantic provinces, and the historical precedence.

12 Q. Would you agree that probably the
13 economic activity of the Atlantic provinces is affected
14 by many other factors besides rail transportation or
15 transportation of any kind?

16 MR. DICKSON: I wonder if you might just
17 repeat that, please, until I get the full significance
18 of it?

19 Q. Would you agree that the lower economic
20 activity of the maritime provinces -- the Atlantic
21 provinces, I suppose I should call them -- as against
22 the rest of Canada is due to many other factors besides
23 railway transportation?

24 MR. DICKSON: I think Mr. Parks' evidence
25 was that the lack of industry to provide employment for
26 vast numbers of people was one of the reasons why
27 the economy was lagging behind the rest of Canada.

28 Q. Is it due entirely to your railway
29 rate structure?

30 MR. DICKSON: To encourage industry ---



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Q. Well, maybe I could simplify it: I think you are being very frank about it, but the question, for instance, of wage rates in the maritimes as against wage rates in other parts of Canada -- that also affects your ability, maybe in your favour or against you?

MR. DICKSON: I wonder if maybe Mr. Parks can answer this better than I. I am not an economist.

THE CHAIRMAN: Well, we will adjourn now until two o'clock.

---Luncheon adjournment.



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2 ---On resuming at 2.00 p.m.

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4 THE CHAIRMAN: Order, please. Mr.
5 Brazier?

6 MR. SMITH: I think Mr. Dickson would pre-
7 fer that Mr. Parks answer the questions as they relate
8 to economics to a certain extent.

9 MR. BRAZIER: Yes. Thank you very much,
10 Mr. Smith.

11 Q. You were present this morning, Mr. Parks,
12 when I was putting questions to Mr. Dickson?

13 MR. PARKS: Yes, Mr. Brazier.

14 Q. I might restate -- and I may not restate
15 it exactly as I did before -- but my suggestion to
16 him was that in attempting to evaluate the advantages or
17 disadvantages that any industry might have as against
18 a similar industry in another area, there are many
19 other factors besides freight rates that must be taken
20 into consideration. Do you agree with that statement?

21 MR. PARKS: Yes, that is a fair statement,
22 sir.

23 Q. Yes. And that would include wage rates
24 in the various sections?

25 MR. PARKS: I might suggest, sir, that if
26 wage differentials in fact do exist, this might be
27 a result of a lag in economic development, rather than
28 a cause.

29 Q. Yes. What is the actual situation?
30 Have you made a study of that at all, Mr. Parks?



1
2 MR. PARKS: With respect to wage rates, sir?

3 Q. Yes.

4 MR. PARKS: It is a very difficult question
5 to answer -- to give a general answer to. I think
6 perhaps if you look at wage rates as they exist in
7 particular industries you would probably find that the
8 differentials are very small as between the Atlantic
9 provinces and the rest of Canada.

10 The only figure I seem to be able to recall,
11 sir, at the moment, is a figure which relates to New-
12 foundland, and the general manufacturing wage rate which
13 compares very favourably with that in other parts of
14 Canada.

15 But, on the other hand, if you want to look
16 at it generally as sort of an average wage rate, and
17 because the economy of the Atlantic provinces is
18 characterized by a relatively high proportion of people
19 in subsistent occupations, the situation might be quite
20 different.

21 Q. Would it require a study of each
22 individual industry to determine what the situation was
23 and the reason for any disparity that existed?

24 MR. PARKS: Yes, I think so.

25 Q. From an economic point of view, would you
26 think it would be a reasonable request that the manu-
27 facturer in, say, Halifax, should have his freight rates
28 so adjusted that he have the same rate as a manufacturer
29 in London, Ontario, who was selling in the Toronto
30 market?



1
2 MR. PARKS: The Atlantic provinces' economic
3 council tried to suggest in Appendix IX to this submis-
4 sion that one of the major factors creating or causing
5 lower levels of income in the region relative to other
6 parts of Canada has been a lack of growth in secondary
7 manufacturing. And this, I suppose, is at least
8 partly related to the distance from any substantial
9 mass market.

10 All the Atlantic provinces' economic council
11 is suggesting is that transportation might be used as
12 a medium for encouraging the movement of manufactured
13 goods from the Atlantic provinces to the mass markets
14 of Canada.

15 Q. Do you think it is possible for every
16 part of Canada to have all the secondary industries that
17 they want or would like to have?

18 MR. PARKS: No, sir; but the point that the
19 Appendix tries to make is that the Atlantic provinces
20 do constitute a sort of special case, in that incomes
21 are lower than they are in other parts of Canada; in
22 that the resource base will not support tremendous
23 expansion in resource base industries, particularly in
24 view of the increasing productivity of this type of
25 activity. And, consequently, we do have continuation
26 of very substantial numbers of subsistence people.

27 Q. As a matter of fact is it not correct
28 to say that aside from coal mining it is in the resource
29 industry that big increases have taken place in the
30 maritimes in the last ten years?



1
2 MR. PARKS: Yes, sir. It is in pulp
3 and paper and in minerals, I would say.

4 MR. BRAZIER: I think, Mr. Parks, that is
5 probably the only part that concerns you.

6 COMMISSIONER ANSCOMB: Before Mr. Parks goes,
7 could I ask a question of him?

8 MR. BRAZIER: Yes.

9 COMMISSIONER ANSCOMB: I do this simply be-
10 cause I would like to get your thinking on it, that's
11 all. I think I understand your problem; I think I
12 understand what you are after, anyway; but would you tell
13 me this: would you have any objection, assuming there
14 was a steel mill on Vancouver Island -- that is a very
15 important island at the other end of Canada, you know,
16 where there is a lot of coal yet there is not a sufficient
17 supply of iron ore yet discovered. There is also a
18 shortage of scrap for it, but there is a lack of
19 population. I suppose the population of British
20 Columbia likely is the same population as your four
21 put together, except half of ours is in one concentrated
22 place.

23 If a steel mill was started there, would you
24 be satisfied and think it was all right that we could
25 ship 2500 miles to the central market of Canada and have
26 the same rebate as you would have sitting 1000 miles
27 from where the people are?

28 MR. PARKS: Yes, if the general state of
29 economic development in British Columbia were comparable
30 to that of the Atlantic provinces.



1
2 COMMISSIONER ANSCOMB: Well, the general
3 state of economics -- that might be brought about by
4 the intelligence and the vigour and the fire and the
5 initiative of the people of British Columbia to compare
6 to any other province. How are you going to arrive
7 at that?

8 COMMISSIONER GOBEL: Understatement.

9 COMMISSIONER ANSCOMB: How are you going
10 to compare that? I am looking for information because
11 I can see if we can get a 41.6 per cent cut on the
12 freight rates, I can begin to do some business with
13 central Canada.

14 MR. PARKS: Yes. Well, sir, what the
15 Atlantic provinces' economic council is suggesting is
16 that transportation policy might be used as an instru-
17 ment to further the economic development of a depressed
18 area.

19 MR. DICKSON: May I answer that, Commissioner
20 Anscomb?

21 COMMISSIONER ANSCOMB: Yes, I'd love you to.

22 MR. DICKSON: With your concentrated popu-
23 lation, over half of which, you say, is in the lower
24 mainland, perhaps you do not have the need to go into
25 the central Canadian market to support that steel mill.
26 With our scattered population in the north we do not --

27 COMMISSIONER ANSCOMB: You could not build
28 steel mill for three-quarters of a million people. Even
29 if I went over into the boundary of Mr. Frawley's pro-
30 vince, there isn't enough to justify the development of



1
2 a real steel structure yet.

3 After all, you have ten million in the so-
4 called central provinces of Canada, and what have we
5 got out west? Less than three and a half altogether,
6 call it four, if you like; and a terrific area --
7 fifteen hundred thousand miles -- very scattered, but
8 highly intelligent.

9 MR. DICKSON: I agree.

10 COMMISSIONER ANSCOMB: Well, thank you very
11 much.

12 MR. BRAZIER: Q. Mr. Dickson, I have been
13 rather interested in your proposition that in determining
14 any further relief of freight rates which should be
15 granted to the Atlantic provinces it is your suggestion,
16 as I understand it, that the intensity of competition
17 in the central provinces as against the Atlantic is
18 a factor that must be taken into consideration?

19 MR. DICKSON: What we have tried to show,
20 Mr. Brazier, is that the intensity of competition in
21 central Canada has lowered the rates there further than
22 the competition in the maritimes has lowered the rates
23 from the maritimes.

24 Q. Now, are you speaking of one rate as
25 against another, or are you just speaking of general
26 averages of rates?

27 MR. DICKSON: You can compare one rate
28 against another and find that, I would expect. And I
29 think that on the general average of rates a somewhat
30 similar situation must exist. We have Appendices VI,



VII and VIII, and it shows that the traffic from the maritimes, within the maritimes and to the maritimes was less able to escape than other regions of Canada.

Q. Tell me this, Mr. Dickson. Can you give me an example of where there is an agreed charge in central Canada for certain commodities and a similar agreed charge for similar products in and out of the maritimes?

Do you know of any?

MR. DICKSON: Yes. If you look at Appendix V, Part E, pages 8 and 11.

Q. Pages 8 and 11?

MR. DICKSON: Rates on canned apple products from Berwick to Ottawa, with corresponding rates from Thornbury to Ottawa.

Q. Just a moment, if you don't mind. I am looking at page 8 now.

MR. DICKSON: Page 8 of Appendix V?

Q. Yes?

MR. DICKSON: The rates there on June 4, 1930, 63 cents from Berwick, and 47 cents from Thornbury -- both class rates. A disadvantage of 16 cents. Today -- August 31, 1959 -- there was an agreed charge from both Berwick and Thornbury. The rate from Berwick, 73 cents, which is 15 cents higher than it was in 1930. The rate from Thornbury is 42½ cents, which is 4½ cents lower than in 1930. So, despite the establishment of agreed charge from both points, the reduction in the rate from the maritimes is not as great as it was in



1
2 central Canada.

3 Q. So that the differential there -- your
4 differential over the Ontario rate has increased?

5 MR. DICKSON: Our disadvantage has increased
6 from 16 cents to 35½ cents.

7 Q. Thank you, Mr. Dickson.

8 Now, I think in your brief you do make the
9 statement that you appreciate the fact that the existence
10 of the Maritime Freight rate subsidy has tended to
11 affect the amount of motor truck competition that exists
12 in the Atlantic provinces; is that correct?

13 MR. DICKSON: Could I just refer to the brief
14 to see just what we did say there, sir?

15 Q. Yes. I didn't put my hands on any
16 particular part.

17 MR. DICKSON: We say that it has had some
18 effect on the growth and strength of competing carriers.

19 Q. Now, that being so, would you agree
20 that if the subsidy were increased it would have a
21 greater effect?

22 MR. DICKSON: I think that would be a logical
23 conclusion, yes.

24 Q. Now, I am looking, then ---

25 MR. DICKSON: Providing, sir -- perhaps I
26 should add this -- that it is paid only to the one form
27 of carriage; if the increase is paid to the one form
28 of carriage.

29 Q. Yes. Well, then, looking at your valid
30 revision of the Maritime Freight Rates Act; that they



1
2 must meet the following requirements (page 31):

3 "(1) It must be able to bridge the rate
4 gap between maritime and central Canadian producers
5 in the important market of central Canada.

6 "(2) It must do this over time and must,
7 therefore, contain a mechanism which will
8 compensate for rate distortions arising (a)
9 from disparities in the intensity of carrier
10 competition in the two territories and (b)
11 from horizontal percentage rate increases.

12 "(3) It must not deprive Atlantic provinces
13 shippers of the opportunity of availing them-
14 selves of services and rates of carriers other
15 than the railways."

16 Now, if (1) and (2) are accomplished, I
17 would suggest to you that there will be very little hope
18 of carrier competition in the maritime provinces?

19 MR. DICKSON: If you have one ---

20 Q. You cannot have three if you are going
21 to have the other two?

22 MR. DICKSON: No, I cannot quite agree there,
23 Mr. Brazier. If you have (1) and (2) you won't have
24 carrier competition, but we have (3) so we will have
25 carrier competition. Perhaps that is not expressed
26 too well, now.

27 (1), you bridge the rate gap; (2) you have
28 the annual adjustments; and (3) you provide us with
29 the opportunity of using services and rates of other
30 carriers by paying the additional subvention to the



1
2 other carriers.

3 Q. I would suggest to you very earnestly
4 that if you bridge that rate gap, as you have suggested,
5 the motor truck is just not going to be interested
6 in competing with the railways?

7 MR. DICKSON: I wonder if you quite under-
8 stood what we are trying to say here, sir. We bridge
9 the gap by the subvention; we are not asking that the
10 railways lower their rates out of their own pocket
11 to bridge the gap, so the return to the railways or
12 to the trucking industry will still be the level which
13 they feel they require, and it will be lowered by
14 the subvention so that the shippers' payments will
15 roughly equal those of central Canada.

16 Have I made that a little clearer now?

17 Q. The subsidy, then, would be paid either
18 to the trucker or to the railways or to whoever carries
19 the goods?

20 MR. DICKSON: That is right.

21 Q. And the truckers would publish the
22 same rate as the railways?

23 MR. DICKSON: They may in some cases, but
24 it would not be necessary.

25 Q. It would hardly be competitive if they
26 were publishing the same rate, would it?

27 MR. DICKSON: Pardon?

28 Q. It would hardly be competitive for the
29 railways if they were publishing just the same rates?

30 MR. DICKSON: Well, they may be -- there



1
2 may be a service angle or a time-in-transit angle
3 which would make them as attractive.

4 Q. Now, there is just one other thing. I
5 wondered whether or not your Commission had given any
6 thought to what should be done with respect to
7 passenger deficits, if there are any passenger deficits
8 on our Canadian railways?

9 MR. DICKSON: No, sir, I am afraid I cannot
10 express an opinion on that on behalf of the Commission.

11 Q. You have not studied that?

12 MR. DICKSON: I have not any instructions
13 from the Commission.

14 Q. Now, one last question: you are aware of
15 the bridge subsidy?

16 MR. DICKSON: Yes.

17 Q. Has your Commission any opinion with respect
18 to that subsidy; whether it should be retained?

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2 MR. DICKSON: No, sir. But there again
3 I have no instructions from the Commission and cannot
4 comment on it.

5 Q. There is one other matter, and I have
6 particular reference to page 29 where you state:

7 "There is no implication that the
8 value-of-service principle is obsolete
9 but, in the face of the new conditions
10 of competition in transportation it has
11 become progressively less able to
12 function effectively so as to ensure the
13 railways sufficient revenues without at
14 the same time working hardships on
15 regional economies."

16 Would your Commission agree that it is
17 already working hardships on regional economies?

18 MR. DICKSON: What are you referring to as
19 "it"?

20 Q. Well, the use of the value-of-service
21 principle in rate-making.

22 MR. DICKSON: Perhaps I could get Mr.
23 Steeves to answer this one as that comes from a part that
24 he dealt with.

25 MR. STEEVES: What we are getting at there,
26 Mr. Brazier, has already been mentioned clearly in
27 some of the statements that we have included in the
28 brief, and, generally speaking, I believe it
29 concerns the fact that, whereas the erosion that has
30 taken place in railway traffic due to competition



1
2 necessitated a throw-back or, shall we say, a greater
3 reliance on traffic that is not so subject to
4 competition which, by and large, reflects on long-
5 haul traffic, a large part of it emanates from the
6 Maritimes. To the extent that post-war freight
7 rate increases have been applied to that traffic
8 horizontally, they have adversely affected traffic
9 movements from such regions.

10 Q. I put the question simply to you, Mr.
11 Steeves: in your opinion has the retention of the
12 value-of-service principle already been a burden on
13 regional economies?

14 MR. STEEVES: To the extent that the
15 railways have been forced to apply freight rate
16 increases by and large to traffic that is subject
17 to long-haul, it has perhaps burdened somewhat
18 outlying regions or regional economies.

19 Q. Then you admit that the retention of
20 the principle has put some burden on at least some
21 areas of Canada?

22 MR. STEEVES: I don't quite go along with
23 your statement: "the retention of the principle".
24 What has happened to the value-of-service principle
25 has brought this about.

26 Q. Did you make a study at all, Mr.
27 Steeves, of the submission the province of British
28 Columbia made?

29 MR. STEEVES: I perused it, sir.

30 Q. Did you come to any conclusions after



1
2 perusing it?

3 MR. STEEVES: Exactly what sort of
4 conclusions?

5 Q. I am searching in the dark very much.
6 As counsel I shouldn't be doing this, Mr. Steeves, but
7 I think it is of interest to the Commission. I would
8 like to know whether you, as an economist with some
9 great experience, are favourably impressed by the
10 submission or unfavourably?

11 MR. DICKSON: If I could refer to what I
12 said this morning, I think it was words to this
13 effect: that, as we say, the value-of-service
14 principle is not obsolete; it is still the ceiling;
15 the cost of service is the floor, and somewhere
16 in between you have got to get, and it is difficult
17 for us to see how a pure cost of service, without
18 some recognition being given to the value-of-service
19 principle, would work satisfactorily.

20 Q. That is the opinion of the Maritimes
21 Transportation Commission. You are expressing now
22 the opinion of the Maritimes Transportation Commission.

23 MR. DICKSON: To the extent we have studied
24 the cost of service principle.

25 Q. I suppose it wouldn't be fair to ask
26 Mr. Steeves for his personal opinion. He has some
27 experience in these things.

28 MR. STEEVES: Quite frankly, Mr. Brazier,
29 I haven't read the brief that carefully.

30 MR. BRAZIER: That is all.



1
2 THE CHAIRMAN: Mr. Mauro?

3 CROSS-EXAMINATION BY MR. MAURO:

4 Q. Mr. Dickson, I am just going to puruse
5 one of the points Commissioner Ansecomb has touched
6 on. It sort of arises out of your testimony yesterday
7 in summarizing Chapter III. You stated something to
8 the effect that the rate differences - the purpose of
9 Chapter III, the summation of it, is that the
10 rate differences between the Atlantic provinces producers
11 and the central provinces producers were created so
12 as to permit better competitive environment for the
13 Atlantic provinces producer to the central Canadian
14 market/^{to}which he was entitled. That, I suggest, is
15 what Chapter III is meant to say in your words.

16 MR. DICKSON: That is pretty much the words
17 I used. There are a few different ones there, but
18 pretty much the meaning of what I said, yes.

19 Q. And the illustration you presented
20 of a situation where a manufacturer of steel, you
21 say, in Hamilton is shipping to a market 100 miles
22 away and the Sydney producer shipping 1,000 miles
23 represents the submission of the Commission that there
24 should be a rate scale which permits that 1,000
25 miles to be properly bridged so as to permit a
26 competitive equilibrium to the Hamilton shipper shipping
27 100 miles and the Sydney shipper shipping 1,000 miles.

28 MR. DICKSON: As I recall my answer to
29 Commissioner Ansecomb this morning, I think I said
30 something to this effect: if the Sydney steel mill



1
2 were to compete equally with the Hamilton mill
3 transportation cost-wise, then he must have the same
4 rate. But I think I went on and said that the
5 proposal we were recommending didn't mean matching
6 each and every rate. We were suggesting a formula
7 by which on the average the rate from the Maritimes
8 to central Canada would roughly equal the average
9 rate within central Canada.

10 Q. Right. And the word has become
11 fairly current this morning - the effect is to de-
12 emphasize geography. Is that a fair statement?

13 MR. DICKSON: If geography can be
14 interpreted as distance, yes.

15 Q. Well, I assumed that would be the
16 context in which we would use the word "geography".

17 Now, we will go one step further. You know
18 that out in Selkirk, Manitoba, we have a rolling mill,
19 and assuming that it is in competition with our
20 Maritime mill in the central Canada market, then by
21 giving this rate to the Maritime mill by disregarding
22 or de-emphasizing geography vis-a-vis the Maritime
23 producer, don't you create an inequitable situation
24 for the Manitoba producer of steel?

25 MR. DICKSON: You say there is a mill
26 at Selkirk?

27 Q. Yes?

28 MR. DICKSON: It may very well be that the
29 mill at Selkirk is not competing in the central
30 Canadian market.



1
2 Q. Assuming that it is.

3 MR. DICKSON: That mill at Selkirk has
4 sufficient population, sufficient markets near
5 at hand in central Canada on which to support it.
6 But it is our submission that the Maritime steel mill
7 doesn't have that same population, that same market
8 close at hand, and therefore must travel the great
9 distance to central Canada in order to operate
10 efficiently.

11 Q. Well, Mr. Dickson, it doesn't come
12 as any surprise to you that that the Winnipeg Chamber
13 of Commerce as one party has complained that the
14 Maritime Freight Rates Act and the present operation,
15 the lack of equalization of the Maritime rates, has
16 created an inequality on the part of a Manitoba
17 manufacturer who competes in the central Canadian
18 market with some Maritime manufacturers.

19 MR. DICKSON: I have seen quite a bit of that,
20 yes.

21 Q. My learned friend Mr. Sinclair has
22 pointed out your exact words yesterday, and I am
23 reading from page 14446, the question:

24 "Q. Now, Mr. Dickson, would you
25 please give a brief summary of what your
26 Commission is asking for in this Chapter
27 III of the submission?"

28 Answer:

29 "In reply to that I would say
30 that in brief what we are asking for in



1
2 this chapter is the rate difference as
3 measured by the average rates between the
4 Atlantic provinces producer and the
5 central Canada producer in the concentrated
6 markets of Ontario and Quebec be bridged
7 by a subvention so that by and large
8 Atlantic provinces industry will be able
9 to compete on more equal terms with
10 industry located within central Canada in
11 those important markets which we were meant
12 to have."

13 I think the words that I am particularly
14 interested in as a Canadian citizen who happens to
15 live in Manitoba is that latter part: "those important
16 markets which we ~~were~~ meant to have". I am suggesting
17 to you that those important markets of central Canada,
18 which, from one article I read recently, represented
19 67 per cent of the population, is a pretty important
20 market to anyone in Canada since it does represent
21 the consuming population, and Manitoba manufacturers
22 are in competition and Alberta manufacturers are in
23 competition and British Columbia manufacturers are
24 in competition - all in competition into the same
25 markets. Isn't that correct?

26 MR. DICKSON: If the western companies
27 are selling in the central Canadian market, then they
28 are in competition with anyone else who 's selling
29 in the central Canadian market.

30 Q. And the Maritimes Transportation



Commission could not ask anything for themselves that they wouldn't want for other fellow-Canadian citizens.

MR. DICKSON: If they have the same economic need, I think we have said, and the same historical precedent; the same present economic need and the same historical precedent.

Q. Let's examine the historical precedent a little more closer, Mr. Dickson. I am referring now to page 9 of your submission where the quotations from the Duncan Commission are contained and are all under the heading, "Recommendations of the Commission" as follows, and I quote:

We believe that the Government should...
...the...
...particularly the...
...deal, and a position which...
...dearly with...
...take this view...
President of the...

and maintenance...
of the railway were...



1
2 average of the rest of the system..."

3 And they go on and point out what they
4 are trying to offset here, the additional 250 miles
5 of line that was built for strategic purposes and
6 which should not be a burden on the Maritime producer
7 but on the general public; and on page 10:

8 "We recommend, therefore, that an
9 immediate reduction of 20 per cent (so
10 that 192 will become approximately 155)
11 be made on all rates charged on traffic
12 which both originates and terminates
13 at stations in the Atlantic division of
14 the Canadian National Railways (including
15 export and import traffic, by sea, from
16 and to that division), and that the same
17 reduction be also applied to the Atlantic
18 Division proportion of the through rates
19 on all traffic, which originates at
20 stations in the Atlantic Division
21 (excluding import traffic by sea), and
22 is destined to points outside the Atlantic
23 Division."

24 Now, what they are referring to there, as
25 you know, is at the time of the study of the Duncan
26 Commission rates in the Maritimes had apparently
27 gone up 192 per cent, while rates in the rest of
28 Canada had only gone up 155 per cent, and the Duncan
29 Commission said: "We are going to equalize these
30 and we recommend an immediate reduction of



1
2 approximately 20 per cent to bring this down to
3 the 155 level."

4 Now, that is the historical bases of what
5 the Duncan Commission tried to determine, that there
6 were 250 miles of extra road that should be taken
7 out, taken out of the cost, mileage cost.

8 MR. DICKSON: I don't think you are taking
9 it all, Mr. Mauro. The Duncan Commission did use
10 the 250 miles greater distance as one of the factors,
11 but I think the more important one is that the
12 Intercolonial Railway was built as part of the
13 Confederation promises and it was built to afford
14 the Maritimes the larger markets of Canada, and the
15 rate structure which was established and carried
16 out by the successive governments was the reason for
17 bringing the Maritime rates down again.

18 Can I read a passage from the Duncan
19 Commission?

20 "We think, however, that a balanced
21 study of the events and pronouncements
22 prior to Confederation, and at its
23 consumation, confirms the representations
24 submitted to us on behalf of the Maritime
25 governments in regard to the ultimate
26 construction of the railway, viz:

27 (a) That leading Canadian statesmen
28 in urging the adherence of the Maritime
29 provinces to Confederation defined
30 the purposes of the railroad to be' --



1
2 Q. It is on page 9 of the brief.

3 MR. DICKSON: That is right.

4 "(1) A means of affording to Canadian
5 merchandise, and to Canada herself in times
6 of national and imperial need, an outlet
7 and inlet on the Atlantic ocean - available
8 all the year round - and

9 "(11) To afford to Maritime merchants,
10 traders and manufacturers, a market of
11 several millions of people instead of their
12 being restricted to the small and scattered
13 populations of the Maritimes themselves,
14 particularly in the light of the disturbance
15 with which their trade was threatened as the
16 result of the discontinuance by the United
17 States of the reciprocal arrangements
18 that had prevailed."

19 And (b) is the paragraph that you read?

20 Q. No, I read down below.

21 MR. DICKSON: That is right.

22 "(b) That strategic considerations
23 determined the actual course of the line -
24 making it many miles (estimated by Sir
25 Sanford Flemming at 250 miles) longer than
26 was necessary - if the only consideration
27 had been 'to connect the cities of the
28 Maritime provinces with those of the
29 St. Lawrence'

30 Q. (c).



1
2 MR. DICKSON:

3 "(c) That to the extent that commercial
4 considerations were subordinate to national,
5 imperial and strategic considerations, the
6 cost would be borne by the Dominion and not
7 by the traffic that might pass over the
8 line."

9 Q. Now, I ask you, Mr. Dickson, whether
10 what I have suggested were the findings of the Duncan
11 Commission are not supported by what you have just
12 read, that they were guaranteed by the Intercolonial
13 Railway the opportunity of getting into the central
14 Canadian markets. That was the purpose of it.

15 MR. DICKSON: Yes.

16 Q. But it was the strategic considerations
17 which extended its mileage 250 miles, and they say:

18 "That to the extent that commercial
19 considerations were subordinate to national,
20 imperial and strategic considerations, the
21 cost would be borne by the Dominion and
22 not by the traffic that might pass over the
23 line."

24 MR. DICKSON: No, I am sorry, I cannot agree.
25 The Intercolonial was constructed to afford us
26 markets of central Canada and the policies adhered by
27 the successive governments were to enable us to get
28 into the central Canadian market.

29 Q. No one is questioning that was the
30 purpose of the line. How would you get in without the



1
2 line and the St. Lawrence river frozen over for a
3 great part of the year? It was built to help you to
4 get into the central Canadian market.

5 MR. SMITH: Is my learned friend giving
6 evidence or is he asking questions?

7 MR. MAURO: I will let the Commission decide
8 that. I am asking questions, and to the extent that
9 you feel it is evidence, you may re-examine.

10 THE CHAIRMAN: What is your question?

11 MR. MAURO Q: I was suggesting, Mr. Dickson,
12 that there are two phases of the findings to what you
13 and I have just looked at from your own brief, that
14 the Intercolonial Railway was part of the terms of
15 Confederation, it was a promise to the Maritime
16 provinces to come into Confederation - we will build
17 a railway that will open to you the markets of
18 central Canada; and then the Duncan Commission says;

19 "That strategic considerations
20 determined the actual course of the line -
21 making it many miles (estimated by Sir
22 S nford Flemming at 250 miles) longer than
23 was necessary - if the only consideration
24 had been 'to connect the cities of the
25 Maritime provinces with those of the St.
26 Lawrence."

27 And:

28 "(c) That to the extent that commercial
29 considerations were subordinate to national,
30 imperial and strategic considerations, the



1
2 cost would be borne by the Dominion and
3 not by the traffic that might pass over the
4 line."

5 It was that (c) portion, the additional
6 cost occasioned by the 250 additional miles.

7 MR. DICKSON: No, I can't agree with you,
8 Mr. Mauro, there.
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2 A. No, I can't agree with you there. The
3 Intercolonial was established to give us the railway
4 and the rate structure was established on it to get
5 into the central Canada market, and if there was any
6 additional cost because of the national strategic
7 considerations, that is another factor.

8 Q. Just to conclude this historical bit,
9 under "Rate Structure of Intercolonial Railway", still
10 on page 5, they make the statement:

11 "These figures reveal that Intercolonial
12 rates have suffered an estimated cumulative
13 increase of 92 per cent (i.e. their 100 has
14 become 192). The estimated average increase
15 of rates for the rest of Canada is 55 per cent
16 (i.e. their 100 has become 155)."

17 I wondered whether the Maritimes Transportation
18 Commission has for this purpose made a study of the
19 average increase in the rest of Canada since 1946 and
20 the average increase in the maritime region during the
21 same period?

22 MR. DICKSON: With the data available to
23 us it would be impossible to make that study.

24 Q. You mean you do not have information
25 available to you as to average movements on the Waybill
26 Analysis in the various regions of Canada?

27 MR. DICKSON: You said 1946.

28 Q. Oh, I am sorry: any period for the pur-
29 poses of this Royal Commission?

30 MR. DICKSON: There is data in the Waybill



1
2 Study, but that is the only data one has to work on,
3 and I am just trying to recall what those figures
4 would indicate if we have taken them off.

5 Q. I don't want to be unfair, but reference
6 has been made frequently to the findings of the Duncan
7 Commission and the historical validity of those
8 findings, and I couldn't agree with you more that
9 they are important for the consideration of this
10 Commission, but it seemed to me that they formulated
11 their findings on a number of things one of which was
12 that in 1912 the Canadian average had only risen
13 55 per cent while the maritime average had risen 92
14 per cent, and they were attempting to bring it back
15 into equilibrium for the rest of Canada.

16 MR. DICKSON: Yes, but the year should be
17 1926 rather than 1912. As I read from the findings,
18 the increase in the rest of Canada had been 55 per
19 cent whereas the maritimes was 92 per cent.

20 Q. And they were not necessarily tying it
21 in with the price range in central Canada, but they
22 were taking the whole of Canada and saying that it
23 seemed unfair that the maritimes should have to be
24 burdened with 92 per cent of the increase while the
25 rest of Canada was only 55 per cent?

26 MR. DICKSON: I would take it the rest of
27 Canada would mean what it says: all the rest of Canada.

28 Q. And they, therefore, reduced your rates
29 by 20 per cent?

30 MR. DICKSON: Twenty per cent within the



1
2 region and 20 per cent on the portion outbound from
3 the region -- the portion of the rate earned on traffic
4 outbound.

5 Q. I thought in the same context it may have
6 been of some interest to this Commission to see whether
7 or not your net rates now, with the 30 per cent and 20
8 per cent subsidy, are 92 per cent or 55 per cent or
9 20 per cent above the rest of Canada?

10 MR. DICKSON: There we have stated in our
11 brief that it is difficult to measure the rate levels
12 in the different regions of Canada, and we have in our
13 brief suggested an average rate level measurement.

14 Q. Would you be in favour of equalization,
15 Mr. Dickson?

16 MR. DICKSON: I think you know our position
17 on equalization.

18 Q. I thought if they were higher then we could
19 not help but agree that with equalization they could not
20 help but come down. There is just one other point:
21 the matter of subventions to all carriers. Has the
22 matter of pipe lines been considered by the Maritimes
23 Transportation Commission?

24 MR. DICKSON: No. You have caught me una-
25 wares there. I hadn't thought of pipe lines. We don't
26 have any in the maritimes.

27 Q. I was thinking about the situation where
28 there may be a more efficient form of transporting a
29 commodity, be it water, truck, pipe lines or rail or
30 air, and I was concerned whether or not under this



1
2 subsidy scheme you would tend to discourage the
3 introduction of more efficient means of transportation
4 by keeping this umbrella over it?

5 MR. DICKSON: No, we don't want to do that,
6 sir.

7 Q. And as I understood your discussion with
8 my learned friend Mr. Brazier, the Maritimes Trans-
9 portation Commission feels that there is nothing invalid
10 in the present value of service principle, but the
11 concern is with the method of applying it to presentday
12 situations; is that correct?

13 MR. DICKSON: Perhaps you could repeat that.

14 Q. As I understand your reply to Mr.
15 Brazier, the Maritimes Transportation Commission still
16 feels that the value of service principle is still
17 valid in today's rate making situation, but that if
18 there is to be any criticism of it it is to be the matter
19 applying that principle to presentday situations?

20 MR. DICKSON: Yes, I think that was our
21 position there. We thought the value of service
22 principle was not obsolete, the value of service prin-
23 ciple being the highest and cost of service principle
24 being the lowest, and you had to get somewhere in
25 between.

26 Q. I think we agreed that the present
27 situation under the horizontal percentage increase
28 method has resulted in an unfair burden on long haul
29 traffic; is that a correct statement?

30 MR. DICKSON: The horizontal method of



1
2 increasing rates has borne more heavily on the long
3 haul shippers.

4 Q. It would seem clear, then, that if there
5 is to be any shift or redistribution of this burden the
6 short haul will have to take up a little bit of it?

7 MR. DICKSON: That is true, Mr. Mauro.
8 That is the problem, that the short haul has not been
9 taking up the slack. It has been escaping because
10 of competition, because of the rise of a new trans-
11 portation agency.

12 Q. So, any scheme that is devised or
13 acceptable must come up with some method which will
14 shift part of the burden presently borne by the long
15 haul captive traffic onto the short haul traffic?

16 MR. DICKSON: That is right.

17 MR. FRAWLEY: May I ask one or two questions,
18 Mr. Chairman, apropos of this value of service principle?

19
20 FURTHER CROSS-EXAMINATION BY MR. FRAWLEY:

21 Q. May I read paragraph 121 into the
22 record at this point; it has been read before:

23 "There is no implication that the value
24 of service principle is obsolete but, in the
25 face of the new conditions of competition in
26 transportation it has become progressively
27 less able to function effectively so as to
28 ensure the railways sufficient revenues
29 without at the same time working hardships
30 on regional economies."



1
2 Wouldn't it be fair to say that what you are saying
3 there is that while it is not yet obsolete, in
4 your opinion, it is approaching obsolescence?

5 MR. DICKSON: No, I don't think so.

6 Q. You say that it has become progressively
7 less able to function; it is less able now than it was
8 last month or last year, and if it continues in that
9 condition it will be less able next year than it is
10 this year. Isn't it fair to take that from your
11 paragraph?

12 MR. DICKSON: No, I don't think so. Even
13 if you had a pure cost of service principle I would
14 think there would still have to be some value of
15 service principle inherent in it.

16 Q. I am not quarrelling -- don't take me
17 as one of those people who wants cost of service.

18 MR. DICKSON: No, indeed.

19 Q. I am only trying to get out of your
20 paragraph what I think is in it, that you feel this
21 value of service principle is becoming, as the dominant
22 factor in rate making -- that is what it means to me --
23 as the dominant factor in the Canadian freight rate
24 structure, particularly with respect to captive traffic,
25 and I say that what you are saying -- and I find no
26 fault with it, incidentally -- and I am not saying
27 that to condition you for an answer -- I say that
28 you say that the new conditions of competition in trans-
29 portation make it progressively less able to function
30 effectively. Just look at that: it is progressively



1
2 less able. Now, I put it to you, therefore, that it
3 should not take and occupy the dominant position in
4 rate making that it does today.

5 MR. STEEVES: You are saying, Mr. Frawley,
6 that the value of service principle is the dominant
7 factor today in rate making, and we are attempting to
8 get away from that?

9 Q. All right, take that as a reasonable
10 interpretation.

11 MR. STEEVES: And I ask you what question
12 you ask on that.

13 Q. My question simply is, do you not
14 think it is approaching obsolescence if it is not yet
15 obsolete?

16 MR. STEEVES: I am not so sure in attempting
17 to answer that question we should get to a point of
18 calling the value of service principle obsolete. I
19 think perhaps the answer to the question may be, if we
20 look around and see what has been happening in trans-
21 portation since, say, the end of the war and see what
22 effect it has had on the rate structure, then we are
23 able to ascertain what, in effect, has happened to the
24 traditional railway pricing policy. We have used the
25 word "obsolete"-- tending towards obsolescence. That
26 may not be an apt expression. The point is that it is
27 creating problems for both the railways and economies
28 that have grown up in relation to that freight rate
29 structure.

30 Q. Mr. Steeves, I put this to you: do you



1
2 think that it is proper and sound rate making to continue
3 to use the value of service principle with respect to
4 the captive traffic, the long haul captive traffic, when
5 you have not been able to use it in that large segment
6 that is being removed constantly from the rate structure
7 and put into the class of competitive rates, either
8 published competitive rates or rates published as
9 agreed charges? Do you think it is fair that you
10 should continue to use the value of service principle
11 as the dominant factor in this ever-shrinking segment
12 of the freight rate structure which I have just
13 described to you?

14 MR. STEEVES: Well, that is a question for
15 the railways to answer. It is, of course, their
16 present structure and they must apply it in the way
17 they think best to return to them the maximum amount
18 of revenues they need. They are not able, in large
19 part, any longer to apply the value of service prin-
20 ciple on pricing simply because it has largely become
21 a cost oriented basis. To the extent there is certain
22 traffic which will still move under the value of service
23 principle, it certainly must continue.

24 Q. You say there must be no maximum control
25 on the rate structure and it must be left entirely to
26 the railways, and if they find they must, having in
27 mind -- motivated by the value of service principle --
28 that they must continue to charge the captive traffic
29 all that that traffic will bear, then that is sound
30 rate making in Canada in 1960?



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2 MR. STEEVES: They must continue to charge
3 the captive traffic a rate that will move that captive
4 traffic.

5 Q. Without any regard at all to the cost of
6 service principle with respect to that captive traffic?

7 MR. STEEVES: I am sorry, I didn't get that
8 question.

9 Q. You say the railways -- it must be left
10 to the railways?

11 MR. STEEVES: I don't want to leave that
12 impression, that it must be entirely left to the railways.
13 As we state here at the end of Chapter 2 -- or Chapter 1;
14 I have forgotten which one it is, but whereas the
15 railways would seem to have no alternative but to
16 secure their net ---

17 Q. Have you got a page number there?

18 MR. STEEVES: I will see if I can find it.
19 That is on page 16. The reference is to horizontal
20 increases, but I use the same statement in relation to
21 the working of the traditional pricing policy of the
22 railways that they have no choice, in applying for
23 freight rate increases, but to attempt to get as much
24 revenue as they possibly can wherever they can.

25 Q. Well, if they apply for a freight rate
26 increase and we find they must take 75 per cent of the
27 freight rate increase from 32 per cent of the traffic
28 because of the fact that so much of the structure cannot
29 take its whole share of the increase, do you say that
30 that must be left that way and there is nothing we can



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2 do about it?

3 MR. STEEVES: That I would take as the real
4 transportation problem today, and I certainly am not
5 in a position to give an answer to a question like
6 that.

7 Q. That is the problem, yes, but I am
8 seeking an answer; I am seeking your views as to what
9 the answer is.

10 MR. STEEVES: I don't have an answer to a
11 question like that.

12 Q. Well, with great respect, that is what
13 the Commission has to solve.

14 THE CHAIRMAN: Well, we will expect a
15 solution from you.

16 MR. FRAWLEY: I certainly will bring some-
17 thing to help you solve it.

18 CROSS-EXAMINATION BY MR. CARTER:

19 Q. Just one point: I was interested, Mr.
20 Dickson, in your Commission's suggestion that this
21 added subvention which you urge should be extended to
22 the trucking industry. As I understood your Com-
23 mission's case, this is what you suggest?

24 MR. DICKSON: Yes, the other for-hire
25 carriers, the trucking industry and water carriers.

26 Q. Yes, and I was interested in just how
27 that might be worked out. You will bear with me if
28 I make sure with you that I have your other submission
29 clear: as I understand it, you have sought through a
30



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2 certain analysis of the waybill report to determine the
3 average rail rates in the eastern to eastern section
4 over a certain number of years; that is right?

5 MR. DICKSON: Yes.

6 Q. You have also sought to determine a
7 similar average of rates maritimes to eastern?

8 MR. DICKSON: Yes.

9 Q. And you have, of course, discovered a
10 difference between the two averages?

11 MR. DICKSON: That is correct.

12 Q. And those you look to as forming the
13 basis for an increased subvention under your statute?

14 MR. DICKSON: For an additional subvention,
15 yes.

16 Q. As I understand your submission, you
17 don't otherwise suggest any amendment to the statute,
18 do you?

19 MR. DICKSON: No, sir, except the other point.

20 Q. Having to do with what I might call
21 procedural matters? Did I make myself clear? You
22 don't suggest any amendment to the statute?

23 MR. DICKSON: Except to two points you have
24 covered. The payment of the additional subvention
25 to the other carriers, and the additional subvention
26 itself -- and the automatic adjustment to keep the rates
27 in line too, I should add.

28 Q. May I explore one more point with you to
29 make sure my understanding is correct: in the event that
30 this added subvention were placed in the statute, and



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2 you have got it, then as I understand it in the end
3 result the billed rate, as it is termed in the jargon
4 of the trade, the billed rate would be somewhat
5 substantially less on a movement outbound from the
6 select territory than it now is?

7 MR. DICKSON: Yes, that would be right.

8 Q. And the procedure under the statute
9 would remain the same: the Board of Transport Commis-
10 sioners would certify what otherwise the normal toll
11 would have been?

12 MR. DICKSON: Probably we are not quite clear
13 on this point. The rates in the tariff at present are
14 what are called billed rates. They have the subvention
15 the railways receive already taken off. We are not
16 suggesting those rates should be changed, but that the
17 additional subvention be applied by a master tariff
18 which would subject that rate to a reduction of the per-
19 centage in effect.

20 Q. May I come quickly to the point I was
21 after: you say this additional subvention in some manner
22 should be extended to the trucking industry?

23 MR. DICKSON: Yes.

24 Q. As I understand you, you say it should be
25 extended in so far as that industry participates
26 in an outbound movement from your area -- out of the
27 select territories?

28 MR. DICKSON: The additional subvention is
29 only to be paid on rail, truck and water movements
30 outbound from the select territory.



1
2 Q. This, of course -- and I am concerned
3 here with the proposed trucking movement -- this would
4 be an interprovincial movement?

5 MR. DICKSON: Yes.

6 Q. The Motor Vehicle Transport Act is in
7 force in the maritime provinces, isn't it?

8 MR. DICKSON: Yes.

9 Q. Under that federal statute none of the
10 maritime provinces attempts to control interprovincial
11 rates, does it?

12 MR. DICKSON: Newfoundland is not under the
13 Motor Vehicle Transport Act.

14 Q. Generally, there has been no attempt
15 under the somewhat vague enabling section of the
16 Motor Vehicle Transport Act on the part of any of the
17 appropriate highway authorities in the Atlantic provinces
18 to control interprovincial rates?

19 MR. DICKSON: There are various stages of
20 control. I am sure Mr. Hume could correct me if I am
21 wrong here, but I can make this general statement that
22 there certainly is not the control in any of the
23 maritime provinces that there is in the Province of
24 Quebec.

25 Q. On interprovincial trucking operations
26 do the appropriate authorities in the maritime provinces
27 require the filing of the tariffs of the interprovincial
28 road haulers?

29 MR. DICKSON: The Acts of the three mainland
30 provinces do require that, but whether in practice it is



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2 carried out ---

3 Q. Are you speaking intraprovincial? My
4 question is again -- all I am interested in is other
5 than a local undertaking; an interprovincial operation.
6 My question is merely whether the authorities of any
7 of the maritime provinces require the filing of
8 tariffs with respect to that type of operation?

9 MR. DICKSON: I believe, subject again to
10 correction by Mr. Hume if I am wrong, that the three
11 mainland provinces do in their Act require the
12 regulation, but whether, in effect, it is done or not
13 I'm not prepared to say.

14 Q. This is all I am really working around
15 to: assume, if you will, that your additional convention
16 is happily granted and it is proposed to be extended to
17 interprovincial trucking operations, then immediately
18 I wondered how you would work this out mechanically?
19 Again, I have in mind the provision of the Maritime
20 Freight Rates Act which provides for a certification
21 by the Board of Transport Commissioners of the normal
22 tolls, and in the end result a payment by the Minister
23 of Transport of the difference between those normal
24 tolls and the billed rate. How would this be applied
25 to the truck operations in the event this was included?

26 MR. DICKSON: Perhaps I could point out the
27 difference that exists at present. The Board only
28 certifies normal tolls in respect of railways other
29 than Canadian National. They only certify them in
30 respect of Canadian Pacific and other lines.

---Short recess.



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2 THE CHAIRMAN: Order, please. Mr. Carter?

3 MR. CARTER: Q: To take you on by a
4 digression, if I may -- it is well in the area we
5 were looking at; I gather from paragraph 210 of
6 your Commission's submission that your Commission does
7 have in mind the setting up of some new authority,
8 presumably by an appropriate legislation?

9 MR. DICKSON: Yes, we have in mind setting
10 up a Subvention authority. That is the word we have
11 used for the authority. I don't know whether it would be
12 necessary that there be a new authority, but there
13 must be some authority to administer this plan.

14 Q. Does your Commission have it in mind
15 that the duties, as outlined in paragraph 210, of
16 that authority might be added to the duties of the
17 Board of Transport Commissioners?

18 MR. DICKSON: I suppose they could be, yes.

19 Q. This, then, would give the Board of
20 Transport Commissioners some interest, at least, in
21 truck operations; would it not?

22 MR. DICKSON: If they were the subvention
23 authority, they certainly would have to have some
24 interest in the trucking industry.

25 Q. Yes.

26 Now, again, I am just concerned with the
27 truck operation. As I understand your submission,
28 the truck operator engaged in this haul, I suppose,
29 would have to -- in fact, you say so -- would have to
30 file each of his bills of lading with the subvention



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2 authority; would he?

3 MR. DICKSON: I think we are getting into
4 detail there, now --

5 Q. My understanding of the workings of
6 the present statute is that the Canadian Pacific
7 Railway files each of its bills. Does it not, with
8 the Board of Transport Commissioners?

9 MR. DICKSON: I believe they do, yes; that
10 they file a copy of their freight bill with the Board,
11 and get their reimbursements that way.

12 I wonder, again, if I should point out
13 that it is only in the case of Canadian Pacific and
14 the other railways that that is done. In the case
15 of Canadian National, the difference is determined
16 by an estimate. It is estimated and certified
17 to the Minister of Transport by the Canadian National
18 Railway Company and approved by auditors of the said
19 company respecting the eastern lines of the Canadian
20 National Railways.

21 Q. As far as the trucks are concerned,
22 I would take it that your Commission would not have
23 in mind that the portion of the subvention to be
24 paid to them would be based on an estimate?

25 MR. DICKSON: I think that this is getting
26 into detail again, and probably could be worked out
27 by people of ingenuity and goodwill. But I think
28 probably the present system for Canadian Pacific
29 and the other lines might very well work for the
30 trucking industry.



1
2 Q. Let us assume, if you will, that that
3 is done; then, you would have the truck transporters
4 submitting each of their bills to the appropriate
5 authority?

6 MR. DICKSON: Yes.

7 Q. Now, in the end result, then, part
8 of the subvention then would be paid out to these
9 truck operators?

10 MR. DICKSON: Yes, the subvention they were
11 entitled to on those particular movements would be
12 paid to them.

13 Q. This really raises the ultimate
14 question that I wanted to hear from you on. What
15 portion of the subvention would they be entitled to?
16 That is, how in your view would the portion of a
17 subvention earned by the inter-provincial trucker
18 be worked out?

19 MR. DICKSON: I think it is quite simple, Mr.
20 Carter, and perhaps you have misunderstood. If the
21 truck rate on any particular shipment was \$1.00 --

22 Q. Let me stop you there. Who would
23 set that truck rate that you have suggested of \$1.00?

24 MR. DICKSON: I would assume the management
25 of the trucking industry would.

26 Q. Yes. You would then leave the trucking
27 industry free as it presently is on inter-provincial
28 operations there to set its own rates?

29 MR. DICKSON: Yes. We are not suggesting
30 any additional regulation other than that contained



1
2 in paragraph 210 of our submission.

3 Q. All right. The management, then, of
4 the trucking concern, you say, is free to set its own
5 rate and in exercise of that freedom it sets the
6 rate, as you suggest at \$1.00?

7 MR. DICKSON: Yes. And to continue that
8 example, if the subvention rating was 31.3, based on
9 the 1958 data --

10 Q. Yes?

11 MR. DICKSON -- then, there would be a
12 reduction of 31 cents, making a rate charged by the
13 shipper of 69 cents; subvention paid by the
14 government of 31 cents.

15 Q. There would be nothing, as I understand
16 you, to prevent the management of this particular road
17 hauler from increasing his rate to -- apart, of course,
18 from the question of whether he had anything to carry --
19 nothing to prevent him from raising his rate to \$2.00;
20 would there?

21 MR. DICKSON: There would be no control, but
22 I do not think the economic facts of life would permit
23 him to do that.

24 Q. But you do not, as I understand --
25 or your Commission does not have in mind as part
26 and parcel of this submission any type of control over
27 the rate-setting ability of the inter-provincial
28 truck operator?

29 MR. DICKSON: No, as long as he files his
30 rates with the subvention authority and charges them



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2 and makes them available to the public.

3 MR. CARTER: That's all, thank you.

4 THE CHAIRMAN: Mr. Hume?

5 CROSS-EXAMINATION BY MR. HUME.

6 Q. Dealing with the point, first of all,
7 if I may, Mr. Dickson, to which Mr. Carter directed
8 some questions, the trucking companies that are now
9 operating out of the Maritimes or out of the select
10 territories into central Canada are apart from those
11 trucking companies owned by the railways -- they are
12 independent companies -- is that not correct, sir,
13 as far as you are aware? They are not controlled by
14 other transportation agencies?

15 MR. DICKSON: No. I was just trying to
16 recall whether Kingsway were operating there, but I
17 think their license has been suspended.

18 Q. And if the manager of a trucking
19 company operating out of the Maritimes into central
20 Canada sets a rate under which his goods move at a
21 loss, it is not very long before his company goes into
22 receivership?

23 MR. DICKSON: That is one of the economic
24 facts of life.

25 Q. And there is not any forum he can go to
26 for assistance, and he just goes bankrupt and falls
27 by the wayside; and, in fact, this has happened in the
28 Maritimes?

29 MR. DICKSON: I cannot recall a particular
30 example, Mr. Hume, in the Maritimes.



1
2 Q. Well, generally speaking a commercial
3 company that cannot make a profit eventually goes
4 under?

5 MR. DICKSON: That is one of the economic
6 facts of life, yes.

7 Q. Whatever rate is set or filed or
8 determined on behalf of this trucking company will be
9 one which presumably will return the cost and contribute
10 something to the profit?

11 MR. DICKSON: Yes, I would expect it would
12 be, yes.

13 Q. So that the rate, in other words, is
14 the rate of the market place, rather than the rate set
15 by regulation from some higher authority? That is
16 basically the situation, is it not, sir?

17 MR. DICKSON: Perhaps, sir, you could repeat
18 that again?

19 Q. The rate by which most trucking operators
20 in Canada charge their customers is the rate of the
21 market place; it is set by competition, but it must
22 be a rate which will return them enough money to keep
23 going and pay their wages and their costs and their
24 charges?

25 MR. DICKSON: Yes, that is right.

26 Q. So that I take it, Mr. Dickson, that
27 the Maritimes Transportation Commission does not see
28 any serious problem with respect to these rates which
29 will be filed with the subvention authorities and
30 upon this subvention which would be paid under your



1
2 proposal as outlined in paragraph 210?

3 MR. DICKSON: No, I agree with you there.

4 Q. Well now, Mr. Dickson, if I might
5 just cover two or three general points with you.

6 As I read your brief -- and I may say just
7 in an aside that I recall one of the witnesses at the
8 Lakehead said, and I think it was Mr. Phillips, that
9 he admired the articulation by which the advocates
10 of the Maritime case were able to present their case,
11 and I certainly compliment you and your colleagues
12 on the way you have presented your submission today.

13 MR. DICKSON: Thank you very much, Mr. Hume.

14 Q. I take it from your section 197 and
15 your section 199, both of which appear, by the way,
16 in volume 83-A -- people studying this transcript will
17 probably not have your submission, but they will have
18 volume 83-A -- that the position you are making in
19 those two sections is that the Maritime Freight Rates
20 Act --

21 MR. SMITH: Just a moment, Mr. Hume, the
22 witness is trying to find that.

23 MR. HUME Q: Have you got your submission,
24 or volume 83-A?

25 MR. DICKSON: I have both now, sir.

26 Q. It doesn't matter which you use, but
27 the first section appears on page 94.

28 MR. DICKSON: Yes.

29 Q. And the second section appears on page
30 95?



1
2 MR. DICKSON: Yes.

3 Q. And do I correctly take those two
4 paragraphs, without reading them again, that it is
5 the position of your Commission that the Maritime
6 Freight Rates Act has been one of the factors inhibiting
7 the growth of the trucking industry in the Maritimes?

8 MR. DICKSON: We feel that it is one of the
9 factors that has played some part in slowing re-
10 development of inter-interior competition in the
11 Maritimes.

12 Q. And in fact, Mr. Dickson, just in
13 passing, I notice in paragraph 200 of your submission
14 that you refer to the cross-examination of Mr. Magee
15 by my learned friend, Mr. Smith --

16 MR. DICKSON: That is right.

17 Q. -- where that admission is made. May
18 I say just in passing that that admission, if you would
19 like to call it that, was part of the evidence in chief
20 of Canadian Trucking Associations as appears at page
21 10602. In other words, part of the submission of the
22 Canadian Trucking Associations indicated that this
23 was one of the factors?

24 MR. DICKSON: Yes, that is right. That
25 question arises, I think, in connection -- I am not
26 sure of your paragraph number -- but it arises in
27 connection with a statement in your brief.

28 Q. Well then, just reviewing the Act as
29 on only of the inhibiting factors and recognising
30 as we have done that there are other factors, can I



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2 also take from your submission, just speaking generally
3 now, that this lack of motor carrier competition in
4 the Maritimes has been detrimental to the Maritime
5 shipper?

6 MR. DICKSON: The less intense competition
7 has not given the quality of competitive rate reductions
8 that there are in other parts of Canada.

9 Q. I think in fact, Mr. Dickson, that you
10 make that point very well in section 82, which appears
11 at page 53 of volume 83-A, in which you point out,
12 referring to the railways:

13 "Conversely, their inability to
14 earn as much revenue in highly competitive
15 areas as formerly, due to competition,
16 has been reflected in attempts to earn
17 a greater share in areas where competition
18 is absent or at least not as well developed.
19 The Atlantic provinces are such an area."

20 MR. DICKSON: Yes.

21 Q. Do I correctly interpret that paragraph
22 that you are saying that the detriment to the Maritimes
23 is due to the fact that because of this lack of
24 motor carrier competition greater revenues are sought
25 from traffic in that area than in an area where there
26 is greater motor truck competition?

27 MR. DICKSON: I think we all have to agree
28 that the railways cannot get money from traffic which
29 is going to go to other means of transport.

30 Q. Then, again, Mr. Dickson, I wonder if



1
2 you would just agree with me that your appendices 6,
3 7 and 8, as I read them, clearly indicated that the
4 impact of rates of the three kinds mentioned in those
5 appendices clearly indicated that the impact is
6 detrimental to the Maritime shipper, as opposed to,
7 say, the central Canadian shipper?

8 MR. DICKSON: I think they indicate quite
9 clearly that more and more rates on traffic of interest
10 to other parts of Canada are able to escape the
11 horizontal rate increase than on rates on traffic of
12 interest to the Atlantic provinces. I do not think
13 there is any doubt about that.

14 Q. Could we assume, Mr. Dickson, that if
15 due to a difference in history or development the
16 motor carrier transportation industry had developed
17 as rapidly in the Maritimes as it has in the central
18 portion of Canada that some of the problems that your
19 area now faces would not exist. There might be
20 others to take its place, but the problems you have
21 been discussing for the last day and a half would not
22 be as serious, perhaps?

23 MR. DICKSON: I think I would have to be
24 perfectly frank and say there might perhaps be some
25 improvements in them, but I still feel that we would
26 have substantial problems.

27 Q. Well, you have the problems you were
28 discussing with respect to the distance you are from
29 the markets, and so on, and I realize that is a fact
30 of geography which no amount of competition can correct.



(Hume)

1
2 I appreciate that. I am speaking purely of the aspect
3 of the problem which I think you developed quite
4 clearly that the lack of competition has produced
5 some detriment to the Maritime shipper that is not
6 suffered by his central Canadian competitor?

7 MR. DICKSON: Conversely, I suppose that he
8 has not obtained the same benefits as the central
9 Canadian counterpart.

10 Q. And in fact, Mr. Dickson, at page 29
11 of your brief you indicate that encouragement of
12 competition between the various media of transport
13 could very well be expected to lower to some extent
14 the rate level on traffic moving from the Atlantic
15 provinces to central Canada. In other words, you
16 expect that the impact of competition would be that
17 there would be more competitive rates?

18 MR. DICKSON: As competition increases, that
19 is what has resulted in other parts of Canada, so it
20 should result in the Atlantic provinces.

21 Q. Well, Mr. Dickson, having read and
22 having had you agree that my reading was correct, I
23 also appreciate that you have got a rather paradoxical
24 situation because you also make a very clear point
25 at section 33 and again at section 120 that the growth
26 of competition has to some extent thwarted the benefits
27 of the Maritime Freight Rates Act?

28 MR. DICKSON: The growth of competition
29 outside the region has destroyed -- has thwarted, to
30 use your word -- has thwarted the benefits of the



1 Maritime Freight Rates Act.

2 Q. So that would you agree with me that
3 if the competition had developed as well inside the
4 area that the effect of this thwarting would have been
5 less?

6 MR. DICKSON: Your question was if the
7 competition had --

8 Q. --had developed inside the select
9 territories at the same rate as it has developed outside
10 that there would not have been so much thwarting as
11 an effect of the Act?

12 MR. DICKSON: I think there are other factors
13 that we have to consider there, too -- that the
14 competition within the region, if it had developed to
15 the same extent, we would have had a substantial
16 development in our economy. There is the commercial
17 conditions and population and so on that they have
18 in central Canada which we do not have here which
19 has encouraged the development of competition there
20 more so than perhaps it would have in the Maritimes.

21 Q. Mr. Dickson, please don't mistake
22 the purpose of my cross-examination. I am not in the
23 slightest bit critical of any portion of your brief.
24 As a matter of fact, it being sponsored as it is
25 by the four Atlantic provinces is the first official
26 endorsement of which I am aware in which any official
27 provincial government has recommended the payment
28 of a subvention to the trucking industries, apart
29 maybe from the Feed Grain Assistance Act. I am not
30



1
2 at all being critical and I am only seeking to develop,
3 if I can, some information for the benefit of the
4 Commission as to the effect of this Act upon the
5 trucking industry in the Maritime provinces.

6 Let me just make a statement. It was the
7 submission of the Canadian Trucking Associations when
8 they gave evidence that the Maritime Freight Rates
9 Act was one of the inhibiting factors in the growth
10 of the trucking industry in the Maritimes, and I take
11 you do not disagree with that statement?

12 MR. DICKSON: No.

13 Q. And you also agree, looking at it
14 strictly from the standpoint of the Maritime shipper --
15 nothing to do with the trucking industry -- from the
16 standpoint of the Maritime shipper, whom you represent
17 here indirectly, had there been greater competition
18 in the Maritimes you would have been better off?
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2 MR. DICKSON: There would have been some
3 improvement, yes, that is true.

4 Q. As to the degree, that is a matter of
5 pure speculation and I wouldn't think of going into
6 that for any time at all.

7 Now, one other point. Do I properly interpret
8 your Section 101, which appears on page 26 and pages
9 59 and 60 of Volume 83A as indicating that the stronger
10 the competition the greater bargaining power the
11 shipper has? Is that a fair resume of what you said
12 in 101?

13 MR. DICKSON: Let me read 101. I think
14 your statement is correct, that the stronger the com-
15 petitive means of transportation certainly the stronger
16 the bargaining position of the shipper is when he deals
17 with the railways in obtaining a rate reduction. I
18 suppose there is a point of diminishing returns when
19 the competition is so strong that the railways are
20 no longer interested in the traffic.

21 Q. Yes. You have got a table on page 26
22 of your submission with respect to numbers of agreed
23 charges with or without the escalator clause. I had
24 assumed that what you were saying in effect was the
25 failure on the part of the maritime shipper to get the
26 full benefit of such a clause was the fact that com-
27 petition was not as strong in the maritimes as it was
28 in other places in Canada?

29 MR. DICKSON: What we are trying to say
30 there is that the mere shelling of an increased number



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2 of agreed charges or in the tonnages moving under them
3 doesn't necessarily indicate that the competition is
4 as strong as it might be elsewhere, that if -- perhaps
5 I could express that again a little more clearly. If
6 the number of agreed charges in two regions were growing
7 together, then it doesn't necessarily mean the strength
8 of the competition in the two regions is growing to-
9 gether.

10 Q. I appreciate that. Paragraph 97 of
11 your brief says:

12 "There can be no doubt that the shipper in
13 such cases derives this strength from his and
14 the railways' knowledge of the existence of ex-
15 tremely strong and suitable alternate compe-
16 tition for the traffic. Conversely, the in-
17 clusion of "Escalator Clauses" can be taken
18 to indicate a lesser strength of competitive
19 forces."

20 Then you reproduce your table which is in section 100,
21 and my reading of those two sections was to the effect
22 that what you were, in effect, saying was that the lack
23 of strong competition was acting as a detriment to
24 the maritime shipper.

25 MR. DICKSON: I think those two paragraphs
26 express it very well, Mr. Hume.

27 Q. Am I correct in what I have just said?

28 MR. DICKSON: Yes, I think that you have inter-
29 preted them very well.

30 Q. Now, my next point is that in dealing



1
2 with the requirements of a subsidy, I think you probably
3 didn't intend paragraph 123 to be an outline of all of
4 the economic requirements of the subsidy but you were
5 directing your attention more to what you considered to
6 be the necessary revisions for your Maritime Freight
7 Rates Act?

8 MR. DICKSON: Those are the requirements for
9 up-dating the Act, yes.

10 Q. And you make the point, I think, in
11 subparagraph (3) that any such up-dating "must not
12 deprive Atlantic provinces shippers of the opportunity
13 of availing themselves of services and rates of carriers
14 other than the railways."

15 MR. DICKSON: That is right.

16 Q. May I paraphrase that? What you are
17 saying in effect is that any up-dating or revision of
18 your Act must give a choice to the shipper so he may
19 use competing forms of transportation if he wishes to
20 use them.

21 MR. DICKSON: Must give him the choice, and
22 therefore must not deprive him. Yes; one is the con-
23 verse of the other.

24 Q. I am not, I assure you, attempting to
25 trap you or put words into your mouth. I am merely
26 trying to see whether I completely understand the
27 phraseology you use. You have agreed with what I have
28 just said, and I will go on to the next point.

29 Then again at sections 186 and 202 you make
30 the point that this extra subvention to which you have



1
2 referred in your brief should be paid either to the
3 shipper or to all carriers. That appears in Section 186,
4 where you say:

5 "Second and third requirements are the
6 annual measurement of this difference and the
7 payment of the subventions either to the shipper
8 direct or to all types of for-hire carriers."

9 Then again at Section 202 you use the words:

10 "Ideally, subsidies should be paid to the
11 users of transportation services. Such a
12 procedure would (1) clearly indicate who the
13 beneficiaries of the subvention are and how
14 much they benefit from it, (2) enable
15 the rate structure to develop without the
16 influence of public subsidy policy elements and
17 (3) retain for the transport user the free
18 choice of carriers which he does not have, if
19 a subsidy is given to one mode of transportation
20 only."

21 Now, sir, may I have you agree, if you will,
22 that the plain English meaning of those sections I have
23 read to you is what you mean?

24 MR. DICKSON: Will you repeat that last part
25 again?

26 Q. Am I correct in assuming that what you
27 are saying in effect is that any subsidy ideally should
28 be paid either to the shipper or to permit him the
29 free use of carrier or to all types of for-hire
30 carriers?



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2 THE CHAIRMAN: Other than air.

3 MR. HUME: I am not prepared to eliminate
4 any type of carrier, Mr. Chairman.

5 THE CHAIRMAN: He did this morning.

6 MR. HUME: Well, the Maritimes Transportation
7 Commission may not be asking the Commission to make
8 any recommendations with respect to it. What I am
9 seeking to find out is what the thinking of this
10 Commission is with respect to the principles of an
11 ideal subsidy, to see whether he agrees with what he
12 has said with respect to the requirements of this Act
13 and an ideal subsidy, whether it should be paid to the
14 shipper and he can spend the money on whatever for-
15 hire carrier he likes or it can be paid to all for-
16 hire carriers?

17 MR. DICKSON: We say in paragraph 136 that
18 the additional subvention envisaged in this submission
19 would have as its first requirement . . . second and
20 third requirements are, and the third one is what we
21 are interested in, the payment of the subsidy to the
22 shipper direct or to all types of for-hire carriers.

23 Q. Then at 202 you seem to tie it down and
24 you say:

25 "Ideally, subsidies should be paid . . ."
26 and so on. In other words, all I am asking you, so
27 that there may be no confusion, do you mean what you
28 say in paragraph 202?

29 MR. DICKSON: I think you have to read 202 in
30 connection with 186.



1
2 Q. Well, 186 merely says you are going
3 on to develop the second and third requirements?

4 MR. DICKSON: Of this additional subvention.

5 Q. And when you get to 202 I suggest you
6 have developed and nailed down your requirements under
7 section 123. I hope I am not embarrassing you by any
8 of these questions. I thought that just sort of
9 followed and you are hesitating. If you prefer not
10 to answer I will go on.

11 MR. DICKSON: I think you have to read 202
12 in connection with 186 rather than make it one which
13 might be used in connection with all subsidies. We
14 were developing a third requirement following paragraph
15 186.

16 Q. I take it then, sir, that the reason
17 you want to give me is that the reference to subsidies
18 in section 202 where you set out the ideal of the
19 subsidy -- that that subsidy refers to the subvention
20 under the Maritime Freight Rates Act?

21 MR. DICKSON: Yes.

22 Q. That is fine.

23 MR. DICKSON: Perhaps we should just clarify
24 that point: The additional subvention envisaged in
25 this submission.

26 Q. If that is the qualification on section
27 202, would you be good enough to look at it again?
28 There is nothing I have read up to that point that
29 qualifies what you are saying. I am not going to
30 quarrel with you. I wanted to be sure that when you



1
2 use the word "subsidies" in 202 you are only talking
3 about the additional subvention under the Maritime
4 Freight Rates Act?

5 MR. DICKSON: Yes. I think that might be
6 a fair interpretation there.

7 Q. Then that brings me to this question:
8 what is peculiar about the additional subvention that
9 you are requesting that separates it from the sub-
10 vention that you are now paying with respect to the
11 shipper that it be paid to the transport user to
12 permit a free choice of service?

13 MR. DICKSON: What you are saying is, if I
14 understand you correctly, Mr. Hume, that the trucking
15 industry has been seriously affected by the present
16 Maritime Freight Rates Act and that the transport user,
17 because of the Maritimes Freight Rates Act, does not
18 have the free choice of carrier that he would have if
19 the subsidy were paid to the trucking industry. Am
20 I correct in your ---

21 Q. Well, that is what was said in the brief
22 of the Canadian Trucking Associations, and I say it as
23 their advocate. Without attempting to sidetrack
24 your thought, what I am getting at now is why do you
25 as the witness for this Commission suggest that there
26 is anything peculiar about this additional subvention
27 so that only that portion of 202 dealing with payment
28 to the transport user or to all types of transportation
29 -- what is so special about this additional subsidy
30 that doesn't apply to the present subvention? In



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2 other words, if, ideally, it should be paid to the
3 transport user or should be paid to all types of
4 transportation, what is so special about this extra
5 30-odd per cent that doesn't apply to the first 30-odd
6 per cent?

7 MR. DICKSON: I am afraid I can't answer you,
8 Mr. Hume.

9 Q. Well, Mr. Dickson, if competition, I
10 think we have agreed, is good for the maritime shippers---

11 MR. DICKSON: I am sorry, Mr. Hume ---
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2 Q. We have agreed that increasing
3 competition will benefit the Maritime shippers, and
4 if we have agreed that the Maritime Freight Rates
5 Act has inhibited the growth of that competition to
6 some extent, and if the ideal subvention should be
7 paid for the benefit -- after all, it is paid not for
8 the benefit of the railways but for the benefit of
9 the shippers?

10 MR. DICKSON: It is not supposed to be ---

11 Q. It is to help the Maritime shipper?

12 MR. DICKSON: It is not a help to the
13 railways.

14 Q. No. So that if these conditions are
15 agreed, I simply put, to me, what is the obvious
16 question: why don't you include the Maritime to
17 Maritime trucking industry?

18 MR. DICKSON: If that is what you are coming
19 at, Mr. Hume, the answer is that the Maritime Freight
20 Rates Act within the region has not seriously affected
21 the trucking industry.

22 Q. Well, this is your opinion?

23 MR. DICKSON: That is my opinion; that is
24 the position we have taken.

25 Q. You are aware that the Maritime
26 trucking industry have said it does interfere with
27 them?

28 MR. DICKSON: That is right.

29 Q. So, there is a difference of opinion?

30 MR. DICKSON: I read your submission.



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2 Q. It is not only in my submission, but
3 I understand the local association have made strong
4 representations over the last many years on this
5 subject.

6 MR. DICKSON: I don't know I can agree entirely
7 with that.

8 Q. Well, certainly since 1957: would
9 you agree with it since 1957?

10 MR. DICKSON: Yes, I have heard more
11 complaints -- a number of complaints since 1957.

12 Q. I will come back to your statement
13 that it has not seriously affected it, but at the
14 present time if the rate between A and B on the
15 railway is \$1.00, the published rate or billed rate
16 is 80 cents; is that correct?

17 MR. DICKSON: Yes.

18 Q. The railways get a \$1.00 but the
19 shipper pays 80 cents?

20 MR. DICKSON: Yes.

21 Q. If the trucker wants to get the
22 traffic -- and forget service and door to door deliveries;
23 just on the straight movement-- all he gets is 80 cents?

24 MR. DICKSON: If it is a pure rate competitive
25 situation.

26 Q. Yes, to the extent it is a pure rate
27 competitive situation. How can you say it has not
28 seriously affected the trucking industry?

29 MR. DICKSON: I think I have already said
30 competition has grown within the region to some extent.



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2 Q. But not as much as other regions, has
3 it?

4 MR. DICKSON: No, but there are other
5 considerations besides the Maritime Freight Rates Act.

6 Q. I grant you that. You have got long
7 distances, and the roads are not quite perhaps as
8 developed in some areas, and you have a sparse
9 population.

10 MR. DICKSON: And commercial considerations.

11 Q. And I think there are something like
12 four sections in your brief, 131, 132, 133 and 197 in
13 which you state that it has not too seriously affected
14 the trucking industry.

15 MR. DICKSON: We have stated it a number of
16 times, yes sir.

17 Q. And I take it this opinion is a
18 personal opinion of you?

19 MR. DICKSON: It is the position the
20 Commission takes.

21 Q. Well, my question was, why not include
22 the Maritime to Maritime for hire truck operator, and
23 you started to say that up to the present time he
24 has not been hurt too much, in your opinion, and I
25 would like you to go on if you have any other reasons.

26 MR. DICKSON: No, that is what we have stated
27 in our brief, that the intra-Maritime subvention has
28 not seriously affected the trucking industry, and what
29 we are concerned with is that an increase in the
30 subvention may affect the trucking industry, and that is



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2 the reason we come before this Commission, and when
3 we suggest an additional subvention we say that you
4 should pay it to the trucking industry.

5 Q. In section 132 you say that there is
6 a point at which the subvention rate will be
7 sufficiently high to eliminate all carriers, and in
8 section 133 you say that any revision of the Act
9 increasing the subvention rate payable to the
10 railways alone might very well seriously weaken or
11 eliminate entirely the use of motor trucks and water
12 carriers.

13 MR. DICKSON: That is right.

14 Q. And in section 137 you say it would
15 weaken and possibly eliminate all carriers competitive
16 with the railways. So, you have, I think, a very
17 real fear that any more money that is paid might have
18 this prejudicial effect; is that correct?

19 MR. DICKSON: It is a question of the degree
20 of increase, I suppose. Any increase would have an
21 effect, and the greater you make that increase the
22 greater the effect.

23 Q. And your Commission and the government
24 you represent do not want that to happen?

25 MR. DICKSON: We feel it would be wrong to
26 eliminate the use of highway carriage in the Maritimes.

27 Q. Mr. Dickson, if you have not gone into
28 this please say so and I will drop the subject because
29 I am not seeking to embarrass you. If it is not
30 in the interests of the people you are representing



1
2 that this competitive force, whatever it may be --
3 ships, or air or pipelines -- be weakened, what is
4 the objection of the Maritimes Transportation Commission
5 to including all for hire carriers in a subvention that
6 is paid for the benefit of the shipper?

7 MR. DICKSON: You have an administration
8 problem there too, Mr. Hume. If you were to extend
9 subsidies to every trucking industry operating in the
10 Atlantic provinces you certainly would have a vast
11 amount of administration.

12 Q. Would you not concede, as you did to
13 my learned friend Mr. Brazier, or whoever raised this
14 point, that people with ingenuity and goodwill can
15 work out these problems?

16 MR. DICKSON: Perhaps they could, yes.

17 Q. And if this administration problem that
18 you refer to can be solved -- and I presume it can;
19 there have been one or two suggestions early in the
20 record of this Commission -- if it can be solved, is
21 there any other reason why it should not be paid
22 equally to all the carriers?

23 MR. DICKSON: I think that if the industry
24 has been seriously hurt by the subvention, if the
25 administration problems could be overcome, and it
26 could be proved they have been seriously hurt, then
27 they certainly would have a case for seeking the
28 payment of those subventions.

29 THE CHAIRMAN: In your view, have trucks
30 been handicapped?



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2 MR. DICKSON: No, we don't think so, Mr.
3 Chairman. The growth of competition within the region
4 has been -- competition within the region has grown
5 during the past few years.

6 THE CHAIRMAN: And your submission is more
7 particularly in connection with inter-provincial
8 rather than intra?

9 MR. DICKSON: That is right, Mr. Chairman.

10 MR. HUME Q: What about New Brunswick to
11 Nova Scotia? That is Maritime to Maritime and it is
12 inter-provincial?

13 MR. DICKSON: I should have used the term
14 "inter-territorial" or "inter-regional" there rather
15 than "inter-provincial".

16 Q. "Inter-select territory" -- it is a
17 little cumbersome, but that is what you mean. As I
18 understand the position of the Commission it is that
19 because the trucking industry has not been seriously
20 harmed to date, and because of administration problems,
21 you do not recommend any change in the present act,
22 but because you don't want any harm done to the
23 competition that has been developed in spite of the
24 Maritime Freight Rates Act any additional subventions
25 should be paid provided it is only on the out-going
26 movements?

27 MR. DICKSON: That summarizes it very well,
28 Mr. Hume, yes.

29 Q. This additional subvention would apply
30 only on the movement east to west, wouldn't it?



1
2 MR. DICKSON: Yes.

3 Q. It would only be one way?

4 MR. DICKSON: It would only be westbound
5 traffic -- outbound from the Atlantic.

6 Q. Thank you, Mr. Dickson. Is there
7 any other reason you want to add as to why the
8 Maritime trucking industry cannot now benefit, in your
9 view ---

10 MR. DICKSON: If I have overlooked anything
11 in the submission, that should be added; but, I rather
12 think I haven't.

13 Q. I have been through this very closely,
14 as you can imagine.

15 MR. DICKSON: Yes.

16 Q. And I cannot see anything -- I don't
17 think you have left anything out. As a matter of
18 fact, the way I read your submission was that in the
19 four places I mentioned you repeat that you don't
20 think the industry has been too seriously hurt to
21 date, but you don't want any additional moneys paid,
22 and this is a matter no doubt somebody will be able
23 to persuade you otherwise about, but I can't do it
24 and I am not going to try. Your plan of administration
25 which you show in sections 209 to 214 -- you must
26 believe that that plan of administration would be
27 suitable for including water and highway transport?

28 MR. DICKSON: Yes, I think so. There may be
29 other things that should be said there, but that sets
30 out what you might say is the bare bones of it, and



1
2 perhaps it was not even necessary for us to set out
3 anything there but we felt we should try to be as
4 helpful as we could.

5 Q. Yes, and I am glad you did because
6 it does assist. Why wouldn't the same plan of
7 administration solve this problem that seems to be
8 worrying you on intra-territorial movements? Why
9 wouldn't the same plan work? I think it would, and
10 I am wondering why --

11 MR. DICKSON: It might.

12 Q. I have one further point I have been
13 asked to bring to your attention. You have indicated
14 in your chapter on the transportation situation in
15 Newfoundland which is developed at some length around
16 paragraphs 250 to 255, and you develop the limitations
17 of the William Carson.

18 MR. DICKSON: Yes, sir.

19 Q. And I suppose you would agree with me
20 that the degree to which inter-provincial trucking
21 will develop, private or for hire, from the Maritimes
22 to the mainland of Canada is directly related to the
23 quality and kind of ferry service?

24 MR. DICKSON: Yes, I think that is a fair
25 statement.

26 Q. I take it your brief is drawing to the
27 attention of this Royal Commission that the motor
28 vessel William Carson is inadequate to provide what
29 you think is the necessary facilities for highway
30 transport movement?



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2 MR. DICKSON: Yes, I think it is. Maybe
3 the restrictions are too small, the economic-size
4 rigs that the highway carriers operate today cannot
5 get aboard the vessel.

6 Q. I have in my hand an issue of the
7 Pictou Advocate dated August the 18th announcing
8 the launching of another ferry to Newfoundland the
9 Jean Guy.

10 MR. SINCLAIR: That is about as reliable
11 as the Winnipeg Free Press.

12 MR. HUME: Well, reliable or not, the
13 photograph shows the vessel hitting the water, so
14 obviously it was launched, and I wondered why you
15 didn't mention that in your brief and whether this
16 is something ---

17 MR. DICKSON: That ferry is to operate
18 between Portugal Cove and Belle Island, which is intra-
19 Newfoundland.

20 Q. This is possibly where the publication
21 lacks in reliability, as my friend Mr. Sinclair
22 seems to suggest, because the publication indicates
23 that its purpose will be to link the places you
24 mentioned with Nova Scotia. But, that is not so?

25 MR. DICKSON: It must be unreliable, because
26 it is not so.

27 COMMISSIONER MANN: I think it links those
28 places with Nova Scotia because it was built in
29 Nova Scotia.

30 MR. HUME Q: Well, the reason I mention



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2 the specifications -- and I want to see if this is the
3 kind of thing you had in mind -- this new ship has a
4 deck clearance of $12\frac{1}{2}$ feet which I believe is indicated
5 as suitable for taking highway transport vehicles.

6 MR. DICKSON: I understand that the average
7 overall height of the type of rig that is operated
8 by the major trucking companies today is $12\frac{1}{2}$ feet.

9 Q. That is a little high?

10 MR. DICKSON: Is it?

11 Q. Yes. I would like to get your comment
12 on this, and may I just read it to you. This is a
13 letter, Mr. Dickson, from the Maritime Motor Transport
14 Association dated August 24th, 1960. It is in
15 relation to an inquiry with respect to this very
16 problem raised in your brief as to the requirements
17 of another or a new ferry to solve some of the highway
18 problems, and it reads as follows:

19 "Many of our freight and furniture
20 vans, including stake and rack, are now
21 running to twelve and $12\frac{1}{2}$ feet in height
22 with combination lengths of 60 feet."

23 Would you agree with that?

24 MR. DICKSON: Yes, if the average height is
25 $12\frac{1}{2}$ feet, which I understand it is, then it should be
26 sufficiently high.

27 Q. Reading on:

28 "We also strongly recommend
29 that facilities be provided to tie down or
30 anchor semi-trailers detached from the



1
2 power unit. We foresee a development in
3 the trucking service to and from Newfoundland
4 where semi-trailers will be shuttled (fishy-
5 backed if you like) with the power unit
6 remaining at the terminals."

7 Is this something your Commission has
8 considered? Is this implied in your suggestions?

9 MR. DICKSON: We talk about a container ship
10 there, suitable for handling trailers, containers --
11 I don't know just when a trailer becomes a container.
12 If you take the motor off does it become a container?
13 Not quite. I think you have to take the wheels off.

14 Q. Why?

15 MR. DICKSON: I believe some of the American
16 lines do take trailers on without the power unit and,
17 to me, personally, that seems like a sensible thing
18 to do.

19 Q. It is known as "fishy-back"?

20 MR. DICKSON: Yes.

21 Q. It is a terrible term, but there it is.

22 MR. DICKSON: It would seem to me personally
23 to be a sensible thing to do, if you can do it feasibly.

24 Q. And that is what you had in mind in
25 connection with this submission?

26 MR. DICKSON: Well, we didn't really consider
27 this point, whether the highway trailers would be
28 detached or not. As long as this new vessel was
29 able to carry containers, highway trailers, if you
30 want to say "detached" or "not detached" from their



1 power units, all right; automobiles and passengers.

2
3 Q. My learned friend Mr. Cooper put to
4 you that there was no historical promise to extending
5 subventions to other carriers. I suppose the record
6 should contain your admission that in 1865 when these
7 matters were being discussed the only methods you
8 had of transport were railway, water and horse and
9 wagon - an ox cart; in other words, at the time these
10 promises were given there wasn't any such thing as
11 a motor vehicle?

12 MR. DICKSON: That is right. The country was
13 united -- Confederation came about by the building of
14 railways. There was no thought at that time, I would
15 not expect, of highway carriage, but the Duncan
16 Commission apparently overlooked the beginning of the
17 trucking industry. It may have been because the
18 complaints presented to Sir Alexander Duncan were
19 mainly concerned with railways, but he did figure on
20 the effect of his recommendations on the other major
21 railway, and if you look at the intent of the Maritime
22 Freight Rates Act, that it is to enable the Maritime
23 freighters, manufacturers and merchants to gain access
24 to the larger markets of Canada, then the truck comes
25 into play.

26 Q. In other words, the historical promise
27 was really to the Maritime merchants, and that is
28 shown where you quote from the Duncan report in
29 paragraph 8 -- the promise was to the shipper and
30 to the merchant.



1
2 MR. DICKSON: To the people of the Maritimes.

3 Q. And whatever technichological advances
4 have come about in improving methods of transportation,
5 that benefit will continue only so long as all those
6 methods are permitted to compete in a free economy.
7 Would you agree with that?

8 MR. DICKSON: Yes, I would.

9 MR. HUME: Thank you very much, you have been
10 very helpful.

11 THE CHAIRMAN: We will adjourn now until
12 10:00 o'clock tomorrow morning.

13 ---Adjournment.
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